Enhancing Understanding of Marketing within a Small Business Development Context

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INTRODUCTION

The aim of this paper is to contribute to discussion on the apparent dichotomy between traditional marketing theory/concept and the world of small business management practice. The paper commences with summary consideration of the predominantly unknowable, unpredictable external operating environment with which contemporary small businesses must cope if they are to survive and prosper. The utility of rational long-term planning models of management in underpinning small business strategic control of such turbulent environments is then considered. Inherent perspectives of rationality and rational thinking are highlighted in terms of theoretical relevance and practical credibility with regard to small business owner-managers’ and managers’ strategic thought processes.

Empirical insight into strategic control of the uncertain environment by successful small businesses is then utilised. Case study insight from our ongoing qualitative investigation into small business strategy development processes provides the frame of reference for identification of the deficiencies and shortfalls of rational models propounding the benefits of strategic control through sequential, step problem-solving processes and underpinning objective analysis. An alternative tentative conceptualisation of small business strategic control is offered that challenges the ‘to somewhere’ rational long-term planning model and identifies small business strategic thought processes, actions and learning activities underpinning the ‘control’ of the contemporary change environment.

The paper proceeds by examining the identified small business thought processes and strategic and learning activities to begin to reveal understanding of just what effective marketing appears to mean and involves in a small firm strategic development context. A predominant focus is upon how small businesses respond to changes in the marketing environment. Integral to such understanding is the need to grapple with the possible existence of small business management strategic thought processes and mental activities not epitomised by tidiness and orderly rationality, but by messiness and intertwined elements. Perhaps we should expect thoroughly intermingled and often simultaneous components of strategic thought processes in the small business strategic control model – not sequential step mental activities as in the rational long-term planning model. And be prepared to unfold understanding of the key role of judgemental and intuitive reasoning and for generative thinking, not acceptance of a natural existence of logical, rational, objective evaluation.
We conclude that marketing orientation and activity takes up a prominent position in small business strategy development activity; that is, in the identifying, learning and acting upon unknowable change situations in terms of effecting ultimate adjustment to markets, products and/or processes activities. And that whilst the concepts of traditional marketing can help us understand such small business development activity, there is a real need to continue to ground the marketing knowledge–base in depth of understanding of the distinctiveness of small business. On occasions we will be bettered served by ‘freeing our minds’ of traditional marketing theory and concept in our attempts at unfolding the ‘big picture’ understanding of successful small business development practice.

**Strategic Control of the Contemporary External Change Context**

Much has been written about the fast changing nature of the modern-day operating environment impacting contemporary business organisations and of how the key to sustained organisational success is the effective management of such change. Moreover, a predominant approach within the academic literature and within the world of business support is the offering of prescription based upon the provision of some ‘objective’ management knowledge base that a recipient manager can take into his or her organisation and apply in order to exert strategic control over the firm’s highly uncertain external operating environment.

The ability of small business management educators and advisors to effectively develop and provide such prescription for the small business is tempered by two base areas of shortfall: firstly, is a tendency to underestimate the unknowable and unpredictable form of many change situations impacting the contemporary small business and for small business management support providers to utilise management and planning vehicles unsuited to such operating contexts; and secondly, is an assumption by the educators and advisors that small business owner managers and managers are ‘able recipients’ capable of picking up ‘abstract, objective, out-of-work-context management knowledge’ and applying it effectively to their own small firm operating contexts.

With regard to the issue of contemporary change situations that are unknowable, and thus in the long term sense ‘unplannable’, we are able to readily draw upon instances that forcefully exemplify. In 2001 business organisations have had to face and cope with the devastating impact of foot and mouth disease. Many small businesses initially perceived themselves as remote from the situation. But the way in which events have unfolded and of how others have responded to those events has resulted in knock-on activity that is manifesting in an external change environment of devastating proportions. Small businesses in sectors as diverse as tourism and chemicals production are having to cope with a totally unpredictable and unknowable change context, the management of which even the most sophisticated of long-term planning models of management would be inadequate. A more recent example of unknowable operating context is the September 11th events in America.

Acceptance that many change circumstances impacting contemporary business organisations are open-ended, totally unpredictable in terms of timing and consequences (Stacey, 1993), brings into question the utility and applicability of prescriptive management vehicles whose intention is the effecting of rational long term organisational planning and control. Proponents of such management models might suggest the above examples are both dramatic and extreme change situations rarely encountered. But open-ended, unpredictable change also unfolds out of more mundane organisational activities: for instance, the unexpected arrival of
new technological processes from a competitor can impact on areas of a small firm’s market activities which had heretofore been considered by the firm as certain and safe - in short, unknowable open-ended change situations can and do adversely impact situations of more certain closed change (Stacey, 1990).

Thus, prescriptive management vehicles aimed at facilitating strategic control of a business organisation’s external operating environment and the formation of long-term strategy based upon competitive positioning may have application within a relatively simple/static environmental context (Johnson & Scholes, 1993), but are likely to prove inadequate in dynamic/complex contexts epitomised by unknowable open-ended change. Examples of such prescription include rational long-term planning modes of management (see for example, Luffman, et al 1991; Fry & Stoner, 1995) and those that prescribe strategy formation through in-depth industry analysis and revelation of appropriate market position (for example, Porter, 1980).

Secondly, the purveyors of such management vehicles (be they academic originators of the models or small business support providers encouraging their application) assume compatibility between ‘objective out-of-context’ management knowledge bases (the management vehicles) and the characteristics and capabilities of the small business owner manager who is ‘receiving’ the management knowledge. For example, both the rational planning and the positioning schools of strategic management thought assume that a business organisation is capable of conducting formal pre-analysis of its external operating environment. However, the small business faces potential unique problem types deriving from owner manager- and size related-characteristics and constraints (Wyer, 1990; Wyer & Smallbone, 1999). For example, time, ability and resource constraints severely restrain the undertaking of systematic environmental analysis: arguably, an essential pre-requisite of both the rational and positioning models is the completion of a comprehensive external audit without which the strategy formation process collapses.

Moreover, integral to the issue of owner manager characteristics is the question of the nature and form of strategic thought processes embedded within rational modes of strategy formation vis-à-vis strategic thinking perspective enveloped in the relatively informal and idiosyncratic small firm management processes. A rational strategy formation model is founded upon linear, systematic, step process of analysis, evaluation and choice underpinned by explicit logical reasoning. Any attempted imposition of such rationality onto informal, idiosyncratic small business management processes raises the question of the value and benefit of dealing with strategic problems through conscious analysis and logical reasoning rather than through the use of intuition and judgemental reasoning which may be more naturally embedded in the management processes of the small firm.

**Empirical Insight into the Strategic Control Activity in Small Business Management Practice**

*Differentiating small business strategy development processes: Drawing upon case study insight from our ongoing qualitative investigation into small business strategy development processes (in both manufacturing and service sector small firms, Wyer & Mason, 1999; Wyer & Theodorakopoulos, 2001 forthcoming) provides the frame of reference for identification of the deficiencies and shortfalls of rational long-term planning models. In the place of strategic control through sequential, step problem-solving processes and underpinning objective*
analysis we found the following characteristics and management activities in our successful participant small firms:

- Comprehensive wide-reaching audit of the external operating environment is constrained by resource and time constraints, by coping with and managing size-related unique problem-types and by ability limitations
- Opportunistic interaction, accidental encounter, informal interface and formal interaction with external key informants (e.g.: suppliers, customers, agents, distributors) allows for the unfolding of insight into change situations
- The unfolding insight usually relates to a ‘slice’ of the firm’s external environment
- Existing core markets, products and processes activities of the firm provide the focus and frames of reference for unfolding understanding of the implications of the externally revealed insight
- The externally derived insight and facts provide the stimulus for moving through for further investigation: the insight is ‘taken into the small firm’ and attempts are made to contextualise the insight into a small firm-specific understanding
- Contextualisation of the insight involves iterative interfaces to clarify unfolding issues and their implications for the firm: dialogue with key internal organisation members; further dialogue with external key informants
- Secondary documentation is often used in the learning process (e.g: trade journals; competitor product literature)
- Key to the contextualisation learning process is the filtering out of an information-base from the untreated insight and facts (revealed from the key informants and secondary documentation); and progressing the information-base into comprehensible understanding capable of informing management’s behaviour in terms of adjustment to markets, products and/or processes activities
- Experiment, trial and error and ‘trying things out’ are part of the learning activity
- An overall learning frame: no long-term written plans, but a mental qualitative framework encompassing clear understanding of current existing markets, products and processes activities and a mental ‘preferred end’ of direction in which these should be developed.
- Willingness to adjust the existing mental framework (of current markets, products, processes activities and of ‘preferred end’) if learning activities so reveal
- Careful short-interval planning (often including written short-term plans and some quantitative short term targets)

An alternative tentative conceptualisation of small business strategic control: Rather than neatness of management actions, linearity, step-process activities, logic in approach to strategic problem identification and solution based upon objective calculation and choice of appropriate optimum action, we find ourselves constructing a small business ‘development picture’ epitomised by messiness, opportunism, relative informality and an orientation toward ‘learning ones way along’.

Strategic direction is more appropriately conceptualised as ‘management by vectors’ than ‘management by long-term objectives’. In the place of a ‘to somewhere’ management approach (using Stacey’s 1990 terminology) underpinned by long-term quantified objectives and predetermined development paths, our successful small businesses focus upon their current core markets, products and processes activities as the frame of reference against which to unfold understanding of the uncertainties and change forces impacting from the
The core activities, and a mentally held qualitative ‘preferred end’ portraying which direction the owner manager feels the core activities should be taken, provides a ‘from here’ learning frame to facilitate learning the firms way along. (Here we may be unfolding insight which has parallels with Stacey’s 1990 distinction between the traditional ‘to somewhere’ long-term planning approach and his alternative conceptualisation of balancing opportunism and business planning in the form of a ‘from somewhere’ planning approach).

Interface with external key informants provides a major learning input. This certainly builds out of networking and underpinning ‘trust’ relationships that unfold mutual and bi-lateral learning experiences. But the interface also includes the owner manager or other organisation members learning from ‘fleeting’ ‘one-off’ interchanges that are opportunistically milked to derive learning input.

These learning interfaces are not always founded on ‘base conversation’. Often it is ‘deep rich dialogue’ which facilitates the build up of understanding of unfolding change issues. Integral to such dialogical interfaces appears to be a willingness to reflect on existing mindset and worldview of the situation and to ‘try on the world view of the key informant for size’ (drawing on our earlier work underpinning investigation of small business strategy development processes utilising Personal Construct Theory: Kelly, 1955; Beck, 1980; Wyer & Mason, 2001).

Such dialogical interactions continue internally with key organisational members involved in the contextualisation of the externally unfolded insight. This learning process may involve ‘try out’ activities, trial and error or experimentation to effect a depth of understanding and requisite confidence level with regard to opportunity for adjustment to the firm’s markets, products and/or processes activities embedded in the change situation under investigation.

Within such small business strategic learning processes and activities is little evidence of formal assessment, systematic action and analysis objectively revealing alternative development paths or strategic solutions. Often the ultimate choice is ‘from a list of one’: choice often resembles an innovative, creative interpretation of the situation under investigation. Often the problem situation requires action, possibly through ‘try out’ or through experiment, where understanding is further evolved by actually ‘living’ and experiencing the problem. Here we detect small business strategic thought processes whose elements are intertwined rather than linear, step process as embedded within the rational planning model. The latter model propounds sequential discovery, choice and action strategic thought processes. A ‘small business model’ would more closely resemble intertwinement and even interdependency of such elements with, for example, the playing out of action being an integral part of the discovery and/or choice processes (see Stacey’s 1990,1993 critique of rational long-term planning; and De Wit & Meyer’s, 1998 conceptualisations of rational and generative strategic thought processes).

Revealing Understanding of the Nature and Form of Small Business Marketing Activities

It is the identification of such small business strategic thought and learning processes which begins to reveal a context for the build up of better understanding of what marketing means and involves in a small firm strategic development context.
A large company may succeed, in part at least, in the undertaking of a comprehensive audit of its external environment. The highly uncertain and unpredictable nature of the external environment, small business resource and ability constraints and the existence of unique (size and/or owner manager related) problems provide the context for understanding that **small firm marketing activity in the form of external environmental scanning** is likely to be predominantly embedded in learning relationships and interfaces with key informants and learning from secondary data sources such as trade journals. The key informant-derived insight is likely to facilitate ‘slice’ scanning in the form of key singular change situations within the wider holistic environmental context.

Whilst the seeking out and ‘working up’ of **networks of key informants is an integral part of the small firm market environment learning process**, and the issue of trust both facilitates and provides confidence in that learning, **opportunistic interface learning** (from fleeting one-off interactions) can be an equally significant input into the learning process. Such conceptualisation, at least in part, parallels Stokes (2000) contention that small business owner managers ‘shy away from formalised research and rely on informal networks’. Moreover, it can be argued that the nature and form of small business networking activity transcends the concept of **relationship marketing** in many successful small firms. For Kotler (2000), relationship marketing is ‘the practice of building long-term satisfying relations with key parties – customers, suppliers, distributors – in order to retain their long-term preference and business’. Certainly, such activities and processes are, at least to some extent embedded in the interface actions of our successful small firms. But their activities also extend to dialogical learning interfaces with their ‘network stakeholders’ whereby change of worldview is often, at least in part, facilitated by deep learning interactions, or kick-started by the more shallow fleeting interfaces.

Management focus on existing core markets, products and processes activities as frame of reference for building understanding of the ‘slice’ insight change situations sees **market orientation** embedded in the small firm learning processes and activities. It may be useful to advance the debate in terms of explicit small firm market orientation, using Kotler’s (2000) key elements of the marketing concept as frames of reference: satisfying of customers, long-term outlook, departments working together and customer satisfaction through coordinated activities, though this must be contextualised with regard to smallness of operation and informality and idiosyncrasies of small firm management processes. But it may be more useful to posit the small business in terms of an implicit tendency to be market oriented. In our successful case firms, learning processes and activities link base externally derived insight and facts to internal understanding and ultimate behavioural changes, in terms of adjustments to the firm’s existing markets, products and/or processes activities that are customer oriented.

The small firm learning activities and processes may require trial and error or experimentation to work through to full ‘market-led’ understanding of, say, a market development opportunity or of product development. Here strategic thought processes and activities see **small business marketing research and market intelligence gathering activity** subsumed in experimental action (often as an extension of initial externally-derived base insight) that can be the lead to understanding of market place and customer needs and of customer profiles. This experiment and trial and error-embedded market research activity often sits juxtaposed to external informant interfaces where, for example, natural day-to-day operational interaction with a supplier is opportunistically utilised by a small firm organisational member to ‘milk’ insight into some industry change situation.
For some small firms, experiencing the problem often involves working with the customer to get the big picture of customer needs and of requisite working practices and processes that will be integral to the small firm fulfilling those needs. Here, and in the ‘slice’ external scanning activity, small business marketing is not about objective SWOT analysis: it is about subjective interpretation of the external problem situation and the working through of just what strengths any strategic adjustment activity (to existing markets, products and/or processes activities) may entail. Thus, opportunity is not simply being discovered – it is often being created. And identification of requisite strengths are not about static analysis of what have held the small firm in good stead in the past, but rather a working through in the form of learning how existing capabilities may need extending or building up to effectively develop the new unfolding opportunity. ‘Every strategic change involves some new experience, a step into the unknown, the taking of some kind of risk. Therefore no organisation can ever be sure in advance whether an established competence will prove to be a strength or weakness…’ ‘…The discovery of what business are we in could not be taken merely on paper; it had to benefit from the results of testing and experience’ (Mintzberg, et al, 1998).

A significant component of small firm marketing is, then, the capture, anchoring-in and development of new knowledge: it is not always the straight forward picking up and transfer in of knowledge held by others external to the firm; it is not always pure learning by experience (say, by trial and error). Often it is a picking up of external key informant data or information and its internal contextualisation so that it is relevant to action, it is complete in that it contains all requisite elements to inform strategic decision-making and adjustment and that it is comprehensible to the owner manager and other key decision-makers. This conceptualisation is commensurate with Van Mesdag’s (1991) distinction between facts, information and knowledge but challenges his view that ‘experience is too slow and its reliance on trial and error too expensive’. Adequate levels of small business management comprehension may require learning by experience as clarification activity with regard to external key informant base information.

Integral to such small business marketing ‘as knowledge development’ is dealing with a highly uncertain environment by ‘bringing forward the small firm’s experience’ (see Gibb 1997) through the anchoring-in of the experience and worldviews of external key informants.

Small business marketing decision-making may involve some logical reasoning and formal analysis, but logical reasoning involves interpreting problems and selecting solutions in accordance with the owner manager’s prevailing paradigm – a concept of consistent reasoning (De Wit & Meyer, 1998). The use of interface with external key informants as learning inputs with regard to unpredictable change situations involves the owner manager and other key organisation members in questioning and contradicting their conventional wisdom and existing world views. The pushing through of newly derived insight into ultimate strategic adjustment may relate more to the small firm use of judgemental reasoning and intuition than to logical reasoning.

Finally, small business strategic long-term marketing planning may be better conceptualised as a mental process: that is, in the form of our conceptualised owner manager mentally held framework of existing core markets, products and processes activities and a qualitative ‘preferred end’ relating to which direction this core of activity should be unfolding (given current levels of owner manager understanding of the external operating environment).
A traditional formal strategic marketing plan would take a long-term view (possibly 3-5 years) and ‘determines where the company is now, where it wants to go and how to get there. It should be the backdrop against which all organisational decisions are made’ (Kotler, 1997). Our early findings discussed in this paper suggest that the owner manager mental qualitative framework with a focus upon the here and now, but with an accompanying flexible ‘preferred end’, provides the small firm management’s decision-making and learning backdrop: thus, the degree of understanding of where the business is now is solid for our successful small firms; and the mental view of which direction the firm should be pointing, in terms of development of markets, products and processes activities, provides an extended learning and decision-making frame. But any intention to continue development as envisaged within the mental framework may be challenged by management’s unfolding of understanding of unexpected external change activity in terms of working through its implications for existing markets, products and/or processes activities.

Thus, whilst such a ‘mentally held strategic planning framework’ may incorporate guiding elements of where the owner manager feels he currently wants the firm to go and how to get there, the uncertainty of the external environment and the small firm management abilities and characteristics will often see that management feeling and learning its way along from its existing focus or core activities. We should therefore expect to find within small businesses some evidence of pre-determined strategic development path, but within a context of a ‘from here’ ‘long-term planning frame’ and not the ‘to somewhere’ approach embedded within traditional strategic marketing models. And we should also, therefore, expect a predominance of strategic development path in emergent form: as successful small firms proceed to organically learn their way along from the safety of confidence- and understanding-levels associated with their familiarity of existing markets, products and processes activities. It seems that depth of understanding of small business strategy development is likely to be unfolded in the future by utilising interpretative frames of reference that conceptualise future direction of a small firm in terms of dynamic organic development from where it is now, with a central role for experimental learning activities: for Stacey (1990), ‘…the key to control in open-ended change situations is limiting the risks of the unknowable, by keeping your options open by trial and error; a dynamic process of testing the relatively safe boundaries set by existing consensus values and beliefs, areas of operation and continuing direction derived from past success’.

**DISCUSSION**

Other research studies have identified specific market deficiencies in small businesses, including reliance on an over-narrow customer base, over reliance on the owner manager for marketing capability and limited and unplanned marketing effort (Stokes, 2000). Our conceptualisation discussed above suggests that if we ‘step out of the traditional marketing theory box’ and into new paradigms centring upon small business management learning processes, then we begin to reveal clear and strong marketing activities embedded within entrepreneurial and learning management behaviours.

We conclude that marketing orientation and activity takes up a prominent position in small business strategy development activity of successful small firms; that is, in their identifying, learning and acting upon unknowable change situations, in terms of effecting ultimate adjustment to markets, products and/or processes activities. And that, on occasions, the
concepts of traditional marketing (albeit in at times some disguised form) help us understand such small business development activity.

It appears, however, that depth of understanding as to just what constitutes small business marketing can be significantly enhanced by grounding the marketing knowledge base in understanding of the distinctive behavioural, managerial, organisational and strategic thought process features of small firms that have achieved sustained strategic development over time.

For example, the successful small businesses in our studies certainly lived by the marketing concept in terms of focusing on provision of ‘goods and services for which there is a known customer demand’ (whilst some of the less successful small firms focused at least a part of their activities on developing products which reflected their productive and quality capabilities but which were not embedded in understanding of customer perception of quality as fitness for function). The marketing concept within our successful small firms was not, however, acted out through resort to any traditional marketing planning process in terms of ‘a logical sequence of events leading to the setting of marketing objectives and the formulation of plans to achieve them’ (Kotler, 1997). Firstly, the nature of the contemporary environment of our case study firms does not display either sufficient stability to facilitate the undertaking of such formal planning process, or simplicity and static orientation to allow for predictability inherent in the formal, traditional strategy formation process. Secondly, the informalities and idiosyncrasies of the small firm management processes combine with the issue of hostile operating environment to suggest that small firm ‘strategic control’ of that environment is more likely to emerge from learning activities and intuitive, judgemental reasoning than the logical reasoning and objective calculation integral to formal long-term planning modes of management. The small business marketing orientation of our successful firms is thus embedded and subsumed in the more informal learning processes and activities (whilst the less successful firms displayed a much lower level learning capability in dealing with unexpected change situations, and thus in effecting a market oriented adjustment to existing strategic activities).

Similarly, concepts of differentiation and scope have application in the small business development context. Within our studies there is ample evidence of small firms having built up a distinguishing competitive posture in terms of scope strategy with regard to identification of markets the firm is aiming to serve, and differentiation strategy in terms of focus upon what is distinctive about the business in the marketplace as perceived by the customer (Porter, 1985; Mintzberg & Quinn, 1991; Wyer & Smallbone, 1999). But such strategic positioning tends to be unfolded through learning activities and is learned about over time, rather than upfront industry sub-sector analysis that is beyond the small firm ability. Associated concepts such as benefit analysis (Kotler, 2000) can in fact for the small firm be a piecemeal, incremental trial and error activity embedded in acting out and experiencing a given strategic problem situation whereby the differential benefits that ultimately provide competitive advantage emerge, often over time.

Moreover, ‘learned about’ choices relating to scope include segmentation, niche and customising strategies. Within this context the concept of market share has significantly different connotations for the small business than the large company for which ‘share’ is often a crucial economies of scale issue.

One concluding proposition is that we may often be bettered served by ‘freeing our minds’ of traditional marketing theory and concept in our attempts at unfolding the ‘big picture’
understanding of successful small business development practice. Or at least taking on board our duty to continue to reveal ‘rich’ ‘thick’ understanding of just what underpins successful long-term small business development in order to facilitate the effective grounding of the marketing knowledge base in understanding of the distinctiveness of small business. The tentative insight of our case study work to date supports the contentions of those with considerable knowledge in the field of small business marketing (for example, Carson, et al, 1995; Stokes, 2000) who are emphasising that marketing is both crucial to the survival and development of small firms and is a key entrepreneurial competency.

REFERENCES


