THE IMPACT OF MARKETING CONSULTANCY
ON SMALL/MEDIUM SIZED FIRMS

MINOO FARHANGMEHR

1991

UNIVERSITY OF WARWICK

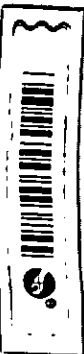# THE IMPACT OF MARKETING CONSULTANCY ON SMALL/MEDIUM SIZED FIRMS

BY

MINOO FARHANGMEHR
B.Sc., MBA

SUBMITTED FOR THE QUALIFICATION OF PH.D..

UNIVERSITY OF WARWICK

WARWICK BUSINESS SCHOOL

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ABSTRACT

This study looks at a programme designed to influence the practice of marketing planning in small/medium sized firms and analyses the impact of marketing planning on the firms when they are provided with such a plan. The study confirms that the incidence of marketing planning in small firms is very low. The results suggest that an evaluation of the programme based only on producing a plan and then implementing it, is inadequate. The real effect of the exercise is also its impact on knowledgeability within firms. Involvement of firms in the marketing planning process increases awareness and knowledgeability of marketing planning. It is argued that the effect will result in the gradual adoption of formal marketing planning by firms. Not only does the experience increase knowledgeability, but the results also indicate that the value of marketing planning to a firm is related to knowledgeability. Firms regard the exercise as valuable if it has had a positive impact on their understanding of marketing and strategic issues. More importantly, increased knowledgeability encourages firms to implement more of the recommendations contained in a plan, which can lead to better performance. The results also indicate that the marketing consultant can have an important role in fostering strategic orientation and marketing awareness in managers of small/medium sized firms. The effectiveness of the programme depends greatly on both the performance of the consultant who prepares the plan and the way the scheme operates.

ACKNOWLEDGEMENTS

TO MY MOTHER, FOR ALL SHE HAS DONE FOR ME.

DECLARATION

No portion of this thesis has been submitted in support of an application for another degree or qualification from this University or any other Institute of Learning.

Some of the research findings have already been published in conference proceedings (see Wensley and Farhangmehr 1990 and Farhangmehr and Wensley 1990, as referenced in Bibliography).

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MANAGEMENT SUMMARY

This study looked at a programme, (the Support for Marketing scheme, or as it is called now the Marketing Initiative), designed to influence the practice of marketing planning in small/medium sized firms, and analysed the impact of marketing planning when firms are provided with such a plan prepared by an external consultant.

The major findings of this study are presented in this summary. The results are related to:

1 - The situation of firms at the beginning of the project.

2 - The evaluation of the SFM scheme and consultant.

3 - The impact and outcome of the exercise:

    - the impact on knowledgeability.

    - the impact on performance.

1. SITUATION BEFORE INTERVENTION

To assess the position of the firms before the intervention two sources were used:

i. The responses obtained through the survey and

ii. The written evaluation of the senior industrialist who visited the firm.

1.1   The results of this study confirm that the practice of marketing planning in small firms is very limited. They also indicate that there is a gap between a firm's perception of the practice of marketing planning and the senior industrialist's view.

1.2   These firms rarely have a marketing manager with specialist knowledge of marketing. Either there is no one responsible for the marketing activities of the firm or this responsibility is part of the many duties of a general manager or other director of the firm. In their budget, no provision is made for the marketing function or training.

1.3   Marketing is not a major concern of small firms and this is mostly because they are unaware of its benefits and unsure of its value. The knowledge of issues related to marketing is extremely limited within these firms.

1.4   Although an approach to a marketing consultant is a possibility, firms are worried by the price, are unaware of the benefits, and therefore unsure of its value for money.

1.5   Even when they overcome the barrier of the cost they are reluctant to use a marketing consultant because they do not know what criteria to use for selection and are uncertain about how to manage the consultant.

1.6   The incidence of business planning is significantly higher than that of marketing planning. This is confirmed by firms and the senior industrialist.

1.7   As would be expected the business and marketing plan are related to one another. Evidence for this is based on the results of the survey and is supported by the senior industrialist's view.

1.8   While firms' responses indicate a positive relationship between marketing planning and allocation of marketing responsibility (i.e. there is more formalised marketing planning where there is a marketing director), data obtained based on the senior industrialist's views reveals that no such interaction exists. This dissimilarity in results is due to:

a. An over-estimation by the firms of their marketing activities. As mentioned before, forecasts and budgets are confused with planning.

b. It also implies that the presence of a marketing director does not guarantee that marketing planning will be practised. In many cases, marketing directors are apparently more concerned with the day to day activities of a firm than with formal planning.

1.9   Generally a marketing expert was approached to organise the marketing activities of the firm in a formal way, to get

a professional view from an expert regarding their activities, to have existing marketing activities confirmed, or to develop a long term plan. The answers show that firms felt that an external expert could help them to organise their marketing activities or at least give them confidence.

1.10 The results indicate that the allocation of marketing responsibility to a marketing director is related to the size of the firms both in terms of turnover and number of employees.

1.11 The positive relationship between allocation of marketing responsibility and further use of planning implies that where there is an individual responsible for the marketing activities, the firm is more likely to follow up with planning activity. The positive relationship between the existence of business planning and further use of planning suggests that previous experience of planning has a positive effect on its further use.

2. EVALUATION OF THE SCHEME

2.1 The level of satisfaction with the Support for Marketing scheme is quite high. Firms generally find the scheme operating satisfactorily as regards to speed of response, rapidity in decision-making, efficiency of execution and lack of bureaucracy.

2.2 The overall evaluation of the SFM scheme in terms of concept and execution was assessed. Most firms found execution of the scheme to be good or very good. However, a much higher percentage of firms found the scheme as valuable in terms of concept. The importance attached to the concept of the Support for Marketing scheme reflects to a certain extent the recognised need to improve marketing activities. Most of the firms would recommend the use of the scheme to other firms.

2.3 A great percentage of the firms would not have used a marketing consultant (86%) if it were not for the availability of a subsidised consultancy project, mostly due to cost and lack of awareness of benefits.

2.4 Firms found that senior industrialists were quite successful in explaining the nature of a strategic marketing project. To a lesser degree, they were also helpful in briefing firms on how to manage the consultant. Firms' overall evaluation of senior industrialists reflects that, on the whole, they achieved their objectives.

2.5 In general, the level of satisfaction with the consultants is quite high. Although firms find familiarity with a particular business a relevant issue, in practice many consultants were unfamiliar with the type of business with which they were dealing but were seen to be able to understand the key issues. Most of the firms believed that

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the consultant's report was well communicated and comprehensible.

2.6 Generally firms believed that the SFM scheme was good value for money. As to the relationship of its value to other variables, there is no relationship between the "value to the firm" and "evaluation of the scheme in terms of concept". However there is a positive relationship between the scheme in terms of execution and its value to the firm. The difference in the results suggests, not surprisingly, that although firms attach high value to the planning concept and its usefulness, once they become aware of it, they find it of value only if it is executed effectively.

2.7 It is interesting to notice that again, while the scheme in terms of concept has no relationship with evaluation of the consultant, the quality of execution is positively related with it. This emphasises how the operation of the SFM scheme is judged in terms of its main element: the consultant and his performance.

2.8 The results also show that the performance of the consultant and operation of the scheme influence the perceived value to the firm. This suggests that, in order to encourage firms to have an effective marketing planning it is necessary for both the consultant and the Support for Marketing scheme to perform well. Only then do firms find the SFM scheme valuable and recommend it to other firms.

2.9   No relationship was identified between perceived value of the SFM scheme and firms' characteristics. The results show that the benefit firms receive from the SFM scheme's intervention is greatly influenced by the operation of the scheme and the consultant's performance, rather than by firms' characteristics.

3.   THE IMPACT OF THE SUPPORT FOR MARKETING SCHEME

3.1   THE IMPACT ON KNOWLEDGEABILITY

The value of external intervention cannot be assessed merely based on the preparation of a plan and the implementation of recommendations contained in it. The interaction with the expert also has an important influence in increasing knowledgeability and awareness towards marketing issues and marketing planning.

3.1.1   This study shows that the process of planning has an effect in increasing knowledgeability, particularly for issues related to marketing planning, such as targeting of the market, identifying new opportunities, assessing strengths and weaknesses of the firm and understanding the firm and its position in the market.

3.1.2   The impact on knowledgeability can be grouped in three major areas:

Increased knowledgeability of *marketing operation*
Increased knowledgeability of *marketing strategy*

Increased *marketing awareness*

3.1.3 The results show that any relationships between the knowledgeability and firms' characteristics are few and inconclusive, which implies that the benefits received in terms of knowledgeability are substantially unrelated to the characteristics of the firm.

3.1.4 The results show that not only is there an effect on knowledgeability of the firms, but also the value of the exercise is seen to be related to marketing awareness and increased knowledge of marketing strategy issues. This indicates that firms will find the scheme to be good value for money if their knowledgeability of marketing has been enhanced.

3.1.5 Theory suggests that the value of consultancy lies in its ability to develop the knowledgeability and capability of the client firm. The results of this study show a positive relationship between consultant performance and increased marketing awareness and knowledgeability. Strong relationships was also identified between knowledgeability and the operation of the SFM scheme. The results show how the performance of the consultant and the way the scheme is executed can positively influence the knowledgeability of the firms.

3.1.6   The findings also show that the higher level of increased knowledgeability results in stronger support and increased recommendation of the scheme to others.

3.1.7   The results also identify that increased knowledgeability has an impact on implementation of the recommendations.   Firms tend to implement more recommendations regarding 'product/market' and 'administration/organisation', when their awareness of marketing and knowledgeability of marketing strategy is enhanced.

3.1.8   Increased knowledgeability encourages firms to use marketing planning in future.

3.2 THE IMPACT ON PERFORMANCE

Within the scheme it is assumed that firms provided with a marketing consultant who develops a marketing plan, will then adopt a marketing approach more widely. Furthermore, it is implicitly assumed that the extended use of marketing planning will eventually be translated into better performance in small/medium sized firms, and they will become more prepared for the challenges of a competitive market.

It is too soon to address the impact on performance fully at this stage, recognising the limited time available in some cases for implementation of the consultant's

recommendations. Therefore the full financial benefits of the SFM scheme can only be assessed at later stages. The early results assessed in this study can only be viewed as an indication for further studies.

3.2.1 For some of the firms, the scheme has already contributed to performance. Their turnover, profitability, market share, number of customers and employees have improved 'a great deal' or 'to a certain extent', as a result of the help received through the scheme. Others expect to see these benefits appear in the future, in most cases within the next one or two years.

3.2.2 There has also been a stronger and more immediate impact in the areas of providing marketing planning capability, a sense of direction, and devising future plans. The SFM scheme has contributed also to international competitiveness, although to a lesser extent. Firms find that their overall performance has been positively influenced as a result of the expert intervention.

3.3.3 The value of the SFM scheme to the firms is related to performance. This result shows, as would be expected, that an important factor influencing the value of the SFM scheme to a firm is its impact on performance. The impact on performance of the firm is also related to how well the consultant performs. The results also indicate that when the SFM scheme has a positive impact on the actual performance, the firm is likely to recommend it to others.

3.2.4   A positive relationship between contribution to performance and perceived value is not surprising and would be expected. But the positive relationship between evaluation of the consultant and performance is of particular interest. It indicates that where the consultant is evaluated as performing well, there is a higher contribution of the SFM scheme to performance. This shows how satisfaction with the external expert can influence results achieved by the firm. In fact, the implementation of consultant's recommendations is also affected by the degree of satisfaction with the consultant.

3.2.5   Performance is also related to the implementation of recommendations. Where the SFM scheme is thought to have contributed to the performance and marketing planning capability of the firm, there is a tendency for more recommendations ——regarding the product/market, price strategy, customer/supplier and administration/organisation to have been implemented. The relationship between performance and the implementation of administrative and organisational recommendations shows how important it is to secure the administrative and organisational support in order to have improved performance.

3.2.6   Firm's overall evaluation and reaction are related to the consultant's performance, operation of the scheme and performance. It also shows that although the real impact on performance is a consequence of implementing the recommendations, such implementation requires firms firstly

to have a positive experience with the expert and the operation of the SFM scheme.

3.2.7 The findings of this study also indicate that as a result of the contribution of the SFM scheme to improved performance, firms will use planning more in the future.

3.2.8 The results also identify a positive relationship between knowledgeability and performance factors; i.e. higher performance is associated with higher knowledgeability.

4. RECOMMENDATIONS

The level of the use of marketing planning in small firms is considered to be "abysmal" (Pettit and Lynch, 1986). Recent studies identified that lack of marketing can be one of the factors contributing to lack of success (Baker et al, 1987). The results of this study indicate that the level will not change without an external force to encourage and assist firms to use marketing planning and develop their marketing activities. In practice firms are either not aware of its benefits or find it too expensive, and as such they do not practise it. By so doing, an important business function is lacking.

Therefore it is recommended that:

- The DTI should continue the SFM scheme as means to help the small and medium sized firms.

- There should be a greater emphasis on client learning and development of capabilities. This development of client capabilities should consider the following areas:

    Increased awareness of issues related to marketing.

    Increased awareness of the benefits of marketing planning.

    Learning how to manage an external expert.

- When visiting firms, the senior industrialist can help the firm overcome the barrier of cost by explaining the nature of the Support for Marketing scheme's contribution towards the cost of the consultancy project. He can also play an important role in making firms more aware of the benefits of marketing planning and the role of the marketing consultant.

- When approaching the client firm, the main objective should be to help him understand the importance of the marketing planning within the firm. The intention should be that even if they don't end up using this particular scheme, they have been sensitised towards the need for marketing planning.

- Preparing firms on how to manage a consultant should be a priority for the scheme contractor. When briefing firms on how to manage the consultant, firms should be encouraged to participate in the planning process and provide the external expert with all the relevant information and ideas they possess. At the end of this process, the client firm should be capable of using a marketing consultant

when needed and to manage him in the best way for the benefits of his firm.

- When briefing consultants, the SFM scheme should emphasise that their major objective has to be not only the development of a strategic marketing plan but also the enhancement of the client capability.

- To have lasting results the dynamics produced by the consultancy process should be maintained. The issue that needs to be considered is what other competencies and capabilities firms need to develop in order to continue the process initiated by the SFM scheme and maintain the momentum created by the consultancy process. This point suggest that there is a need for progressive decrease in client dependency on experts.

CHAPTER ONE   INTRODUCTION

1.1   INTRODUCTION

British industry is losing its share of exports and is increasingly being threatened by imports. Hooley and Lynch (1987, p. 652) referring to articles from NEDO (1979, 1985) report:

> The long-run decline in the UK's industrial competitiveness in world markets is well chronicled and an established subject of the highest national concern.

There has been major interest in determining the reasons behind this process of decline and many researchers have tried to determine the contributory factors by comparing the characteristics of successful firms with those of unsuccessful firms in the U.K. (See Baker et al, 1986 for literature review), or comparing U.K. firms with their counterparts in other countries.

Different studies indicate that lack of marketing orientation is a major cause (Hayhurst and Wills, 1972; Baker, 1979; NEDO, 1981; Doyle, 1985; Doyle et al, 1987). Baker, Hart and Black (1987) argue that factors other than marketing orientation can contribute to the competitive success of the firms. Even in this case they agree that one of the causes is a lack of marketing orientation. Others

suggest that the problem is a lack of effective implementation of marketing strategies, represented by a focus on trappings instead of substance (Ames, 1970).

The situation seems to cause even more concern in the case of small and medium sized firms. Pettitt and Lynch (1986, p. 473) report:

> Actual marketing performance within the small firm sector is still recognised as being generally abysmal.

Watkin and Blackburn (1986, p. 564) suggest:

> The importance of marketing is such that unless the small firms develop an understanding of marketing principles, the firms' survival will be less certain.

Möller and Anttila (1987) argue that the problem resides in "a too narrow perspective" of the small firms towards marketing.

There has therefore been a host of government programmes orientated to the development of marketing understanding in small and medium sized firms, such as Management Extension Programmes and the Marketing Through Research Programme, (Evans, 1987).

The 'Support for Marketing' scheme (SFM) or as it is now called, 'The Marketing Initiative', was devised to help

small and medium sized firms to overcome their marketing problems. It is assumed that marketing orientation and strategic planning will contribute to their competitiveness.

Briefly, the criteria used by the SFM scheme to select companies from among those applying for support were:

1) Size - the number of employees of the firms had to be 500 or less.

2) International competitiveness - the firms had either to be involved in direct export or be facing direct competition from imported foreign goods (import substitution).

3) Planning - the commitment of the firm to implement a strategic marketing plan (smp). One of the contributory factors indicated by research into the decline of UK competitiveness is the lack of systematic and effective marketing approach (See Baker et al, 1986 for literature review). The objective of the SFM was to provide a consultant to firms to encourage them to implement strategic marketing planning.

The criteria are clearly related to the broad definition of the target population, the specific problem and the appropriate solution. The size characteristic defines the population, the export (or import substitution) criterion reflects the specific problem of competitiveness in the UK,

and the planning commitment identifies an appropriate solution.

The scheme supplies a firm with a marketing consultant responsible for the development of a strategic marketing plan (smp). The scheme encompasses a complete plan and not just a single element, and looks closely at the commitment of the firm to its implementation. One of the objectives of the scheme is to establish the regular practice of planning in the firm.

1.2 OBJECTIVE OF THE STUDY

The objective of this study is to look at the Support for Marketing scheme, which is a programme designed to influence the practice of marketing planning in small/medium sized firms, and analyse the impact of marketing planning on them when they are provided with such a plan by an external consultant.

Within the scheme it is assumed that providing firms with a marketing consultant, with the objective of offering them a strategic marketing plan, will cause them to make wider use of marketing. In addition, it is implicitly assumed that the extended use of marketing planning will eventually be translated into better performance on the part of small/medium sized firms, and better preparation for the challenges of a competitive market (Figure 1.1).

Figure 1.1   Problem, solution and end result for the SFM
scheme intervention

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┌─────────────┐     ┌─────────────┐     ┌─────────────┐
│   PROBLEM   │     │  SOLUTION   │     │ END RESULT  │
└──────┬──────┘     └──────┬──────┘     └──────┬──────┘
       │   ──────────>     │  ──────────>      │
┌──────┴──────┐     ┌──────┴──────┐     ┌──────┴──────┐
│ Firms not   │     │ Provide mkg │     │ Improved    │
│ competitive │     │ consultant  │     │ performance.│
│ Lack of     │     │ to produce  │     │ Firms more  │
│ marketing.  │     │ smp.        │     │ competitive.│
└─────────────┘     └─────────────┘     └─────────────┘
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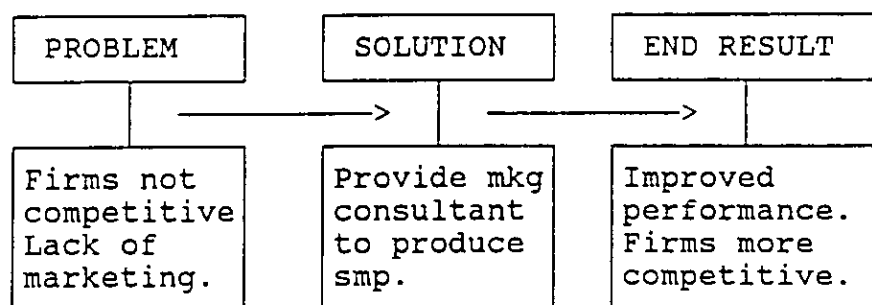
The evaluation of the impact of the intervention could be done in two ways:

i) The evaluation of the effect of the overall process on performance.

The prime motive for the firms which used the SFM scheme was improvement in performance, which has been the ultimate objective of the scheme itself. Although impact on performance is important, it can only be addressed at later stages in the use of the scheme. The data was collected soon after the completion of the consultancy project, with almost 90% of the firms having had the completed project in operation for less than a year. For this study, it is too soon to fully assess impact on performance, in view of the limited time some firms had to implement the recommendations offered by the consultant. Therefore, the full financial benefits of the SFM scheme can be assessed only at later stages. At most, the early results can only be appraised as an indication for further studies.

Nevertheless, in spite of the time limitations, a first step towards evaluation of the effect of the SFM scheme on performance will be taken.

ii) The development of a model explaining the purpose of intervention. There are two generic possibilities: plan-action and plan-thinking. The first approach looks at the plan output and examines how far the recommendations contained in the plan have been implemented. The other possibility is to look at the impact of the SFM scheme in increasing marketing awareness and knowledgeability (*) within the client firm, and enhancing the client's ability to apply marketing planning. Interest in the latter approach lies in looking at the impact of the planning process on the knowledgeability and understanding of firms towards marketing and marketing planning.

The benefits of the planning process are not limited simply to implementing the recommendations, but include the change and development that the process produces. Therefore, the contribution of the SFM scheme in building the client's knowledgeability and awareness towards marketing planning needs to be considered.

(*) A Supplement to the Oxford English Dictionary, Volume II. H-N. Oxford: Clarendon Press, 1976, p. 538:

1946 *Time* 19 Aug. 98 His portrait shows Caesar to be a man as far beyond mere knowledgeability as a Hitler or Stalin. 1957 N. Frye *Anat. Criticism* 263 This has a truth that the myopia of knowledgeability is more apt to overlook. 1965 F. Sargeson *Mem. Peon* iv. 62, I had impressed my host by my .. knowledgeability.

Lack of marketing knowledgeability has been widely reported in the literature and Watkins and Blackburn (1986, p. 563) refer to this phenomenon in small firms thus:

> There is a widespread and lamentable lack of marketing knowledge in small firms.

Pettitt and Lynch (1986) believe that lack of strategic awareness is a major shortcoming of small businesses. They argue (p. 477):

> A failure to plan in a small business context need not be a weakness per se. It is the absence of strategic awareness that may lead to excessive dependency on a few customers or limited products, difficulty in assessing market opportunities and building internal strength.

Although Timmons (1976) argues that "one of the most striking characteristics of the successful entrepreneur is his attitude towards and use of planning", in practice, empirical research suggests that formalised strategic planning is very rare in the small firms (Gibb and Scott, 1983; Ford and Rowley, 1983). Gibb and Scott emphasise "the importance of the strategic awareness" of the owner-manager in small firms.

There have been a number of studies of the practice of marketing planning in firms, but so far no empirical

research to see the effect of the planning process in increasing the client's capability. This study looks at the impact of marketing planning on client capability, when such help is provided by an external expert. Increased knowledgeability and capability in the client firm are intermediate measures of the impact of the SFM scheme, enabling the researcher to measure and evaluate its impact on performance in later stages.

This study looks at the following issues:

- Is the scheme at all helpful, from the individual firm's viewpoint, in increasing its knowledge of marketing and/or marketing awareness?

- Does it help firms to understand better some specific functions of marketing; e.g. pricing, advertising, competitors, customers?

- Does it help them to understand better the issues related to marketing strategy?

- Do firms take it as a one-time solution and forget all about it later, or do they really adopt the practice of marketing planning?

The population under study comprises a number of small/medium sized firms that completed the Support for Marketing scheme from the start of its operation in April

1986 until October 1988 when the data was collected. Some of the firms benefited from the exercise and others did not (Figure 1.2).

Figure 1.2   Population under study and experience with the Support for Marketing scheme.

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                                    ┌──────────────┐
                                    │    GOOD      │
                        ┌───────────│              │
  ┌──────────────┐      │           │  EXPERIENCE  │
  │  FIRMS IN    │      │           └──────────────┘
  │              │──────┤
  │    SFM       │      │           ┌──────────────┐
  └──────────────┘      │           │    BAD       │
                        └───────────│              │
                                    │  EXPERIENCE  │
                                    └──────────────┘
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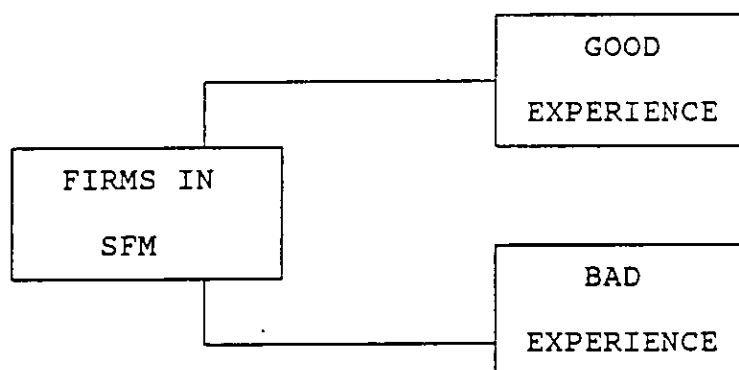
The objective is to see what the impact was and why some firms benefited from the SFM scheme more than others. Is the impact related to the characteristics of the firm, or is it influenced by the work of the consultant or operation of the SFM scheme?

Obviously this analysis is part of an overall evaluation of the scheme, mainly in terms of efficiency with which the scheme operates rather than its final impact.

In brief, the objectives of the study are:

- The impact of marketing consultancy on small/medium sized firms which used the scheme.

U. B. M.

- Assessment of the impact on performance but in a limited manner for the reasons already indicated.

Apart from the above issues, the practice of marketing planning in small firms, the sequence of planning and the relationship between marketing planning and size of the firm will be considered. To undertake the research, a model that can explain the adoption of marketing planning in these firms will be used.

1.3 THE SUPPORT FOR MARKETING SCHEME

1.3.1 INTRODUCTION

The 'Support for Marketing' scheme (SFM) or, as it is now called 'The Marketing Initiative', was devised by the Department of Trade and Industry (DTI) of the British Government to help small and medium sized firms to overcome their marketing problems.

There have been a number of such schemes provided by the Department of Trade and Industry, such as Support for Design, Support for Innovation, Support for Productivity, and Support for Quality. The Support for Marketing scheme started in April 1986. It provides selected firms with a marketing consultant responsible for the development of a strategic marketing plan. Appendix 1.1 shows a brochure which explains the aims and objectives of the SFM scheme.

Within the scheme it is assumed that by providing firms with a marketing consultant, with the objective of offering them a marketing plan, there will be a wider use and practice of marketing planning. Consequently, it is assumed that the extended use of marketing planning will eventually be translated into better performance of small/medium sized firms, making them more prepared for the challenges of a competitive market.

1.3.2 FUNCTIONING OF THE SUPPORT FOR MARKETING SCHEME

1.3.2.1 The Process of Application

Generally, firms established telephone contact with the Support for Marketing Regional Contractors. Firms were asked to send a letter of application and any brochures and company information that might help the SFM scheme to understand better their businesses. They were then given a date when their firm would be visited by a representative of the SFM scheme's Regional Contractors. This representative was called a senior industrialist (S.I.).

1.3.2.2 Senior Industrialist Visits the Firm

As part of the original scheme there used to be a number of field workers, called senior industrialists, who were experienced managers with high level business qualifications. A senior industrialist would visit the managing director of a firm and explain the nature of the strategic marketing project and would brief him on how to

manage the consultant. In this visit, he also would obtain information regarding the situation of the firm and its method of operation. He then filled in a form, known as the 'senior industrialist's initial report' with questions concerning the existence of business or marketing plans, corporate objectives, evidence of resources, and willingness to put a new marketing plan into action (Appendix 1.2 shows the form for the SI's initial visit). The SI's visit is free of charge to the client. The cost of this visit is borne by the scheme itself.

1.3.2.3 Selection of the Consultant

If the firm is accepted, the scheme provides a marketing consultant. The firm can either choose the consultant or ask the Support for Marketing Contractor to make the choice. In the latter case the SFM scheme contractor will go through a process of matching and assigning a marketing consultant suitable for the requirements and needs of a particular firm. There is an approved list of marketing consultants within the scheme who have been subjected to approval procedures by the scheme contractor. In every case the selected consultant is taken from this list, and is responsible for the development of a strategic marketing plan. The scheme encompasses a complete strategic marketing plan and not just a single element, i.e., the consultant is asked to prepare an overall strategic marketing plan for the firm.

After the consultant is selected, the Support for Marketing scheme sends him the relevant information together with a 'subject brief for consultant', which gives a description of the task to be undertaken (Appendix 1.3).

It is normal practice for the SFM scheme contractor to have meetings with consultants, explaining the objective of the scheme and the standard of work expected of them. Although the consultant is free to choose his framework, from the Support for Marketing contractor's point of view, a number of elements are expected to be adequately addressed and substantiated in the report. Appendices 1.3 and 1.4 show the range of elements that need to be addressed by the consultant. The balance of emphasis between them will of course, vary from project to project, depending on the nature of the company, the project and the state of knowledge within the company.

The next step is the elaboration of the terms of reference by the consultant. This has to be done in close collaboration with the firm, as client, consultant and scheme contractor have to be in agreement on the terms of reference.

The consultancy period is eight man-days minimum and 15 man-days maximum. During the first two days, which are free of charge for the client, the client and consultant agree on the terms of reference. For the remaining consultancy days,

the client only has to contribute 1/3 of the cost, and the SFM scheme pays the remaining cost.

1.3.2.4 Evaluation of the Consultant's Report

When the report or the plan has been prepared, it is subject to the scrutiny and acceptance of the SFM scheme contractor and, most importantly must be acceptable to the firm. If the report fails to satisfy the client firm or if the SFM contractor finds the project of poor quality, the consultant is required to do further work on the project at his own expense.

To evaluate the consultant's report, the Support for Marketing uses an internal evaluation system. Appendix 1.4 shows the elements that enter in this evaluation.

1.3.2.5 Senior Industrialist Visits the Firm a Second Time.

After a further period of approximately three months, there is another visit from the SI to the firm to verify the work that has been done by the consultant, to assess the benefits the company is receiving as a result of the intervention, whether or not the firm is implementing the recommendations and what the implementation prospects are, and where implemented what are the effects of the implementation. Appendix 1.5 shows the form of evaluation that takes place in the senior industrialist's final visit to the client.

1.4 OUTLINE OF THE STUDY

The thesis is divided into ten chapters. Since the study looks at the impact of a specific programme designed to influence the practice of marketing planning in the small/medium sized firms, it is necessary to look at the programme more closely. The Support for Marketing (SFM) scheme and its operation was discussed in some detail in the first chapter. The SFM scheme provides a consultant in order to present the firm with a strategic marketing plan. The concept of strategic planning and consultancy needs to be explained.

In chapter two the literature on strategic planning is reviewed. Most of the relevant literature on strategic planning relates to firm-level (or corporate) planning but is clearly relevant (in terms of process and purpose) to marketing planning. The concept of strategy and different approaches to strategic planning will be discussed. This chapter also considers the approaches used by the analyst in developing a plan.

The literature on planning is mostly prescriptive. Chapter three looks at the prescriptive literature more closely, reviews the methodology therein suggested and the empirical research in this field. It also considers the issue of planning and effectiveness and reviews different approaches to defining effectiveness in planning.

Chapter four is a literature review of the claimed benefits and shortcomings of strategic marketing planning, discussing the need for it, the claimed benefits and shortcomings, and how it has performed relative to the claimed benefits. It looks at the contribution of strategic marketing planning to success and the reasons behind its failure. The chapter also reviews the process of marketing planning as suggested in the literature.

Chapter five looks at the issue of marketing consultancy. It reviews the literature on this subject and discusses different intervention strategies used in consultancy. The role and impact of consultancy on client learning is studied, as are the stages involved in the consultancy process.

Chapter six looks at the relationship of the SFM scheme to the reviewed literature. It looks at the relationship of the SFM scheme with the approaches to strategic planning. It also considers the issue of evaluation of the Support for Marketing scheme's effectiveness. The planning procedure adopted by the SFM scheme is compared with the planning process suggested in the literature. Finally the relationship of the SFM scheme and the consultancy is considered.

Chapter seven looks at the research methodology. The reviewed literature through chapters two to five permits the development of a number of hypotheses. The hypotheses are

presented and the techniques to be used for the analysis of the data are suggested. The statistical techniques to be used are factor analysis and log-linear models which are explained in detail in Appendices 7.4 and 7.5.

The research results will be presented in chapters eight and nine. Chapter eight first delineates what the results intend to explain: the situation of the firms before the SFM scheme intervention, the process of planning and the outcome of the exercise. The results relating to the situation of the firms at the beginning of the project are reported in this chapter. The practice of marketing planning within the firms and its relationship to size are assessed. Evaluation of the intervention is also examined, considering the operation of the scheme, the performance of the consultant and the senior industrialist.

Chapter nine discusses further results of this study. The impact of the Support for Marketing intervention is considered. This chapter looks at the impact of the scheme in increasing marketing awareness and knowledgeability within firms. The impact of the scheme on performance is also addressed.

The objective of chapter ten is to summarise and reach conclusions on the findings of the previous chapters. The limitations of this thesis are also discussed and areas for further research are suggested.

CHAPTER TWO   APPROACHES TO STRATEGIC PLANNING

The Support for Marketing scheme provides selected firms with a marketing consultant responsible for the development of a strategic marketing plan.

There are various approaches for the development of such a plan as well as the underlying strategy concept. These different approaches will be discussed and the appropriateness of each will be considered. The approach taken by the scheme will then be analysed in more detail in Chapter Six.

It should be pointed out that most of the relevant literature on strategic planning relates to firm-level (or corporate) planning, but is clearly relevant (in terms of process and purpose) to marketing planning.

2.1 INTRODUCTION

The scheme provides a firm with a marketing consultant responsible for the development of a strategic marketing plan for the firm. The scheme encompasses a complete strategic marketing plan rather than merely a single element, and looks closely at the commitment of the firm regarding implementation. One of the objectives of the scheme is establishment of the regular practice of planning in the firm.

First, it is therefore necessary to define strategic marketing planning in academic terms and as interpreted by the Support for Marketing scheme.

2.2 DEFINING STRATEGY

A review of the relevant literature shows that there is no single definition of 'strategy' that is universally acceptable to all managers and authors.

There is a widespread belief that in business literature, the word 'strategy' is not only over-used but extensively misused. Its misuse indeed contributes to a certain amount of confusion in this area. The over-use is reflected, as mentioned by Wensley (1987), in the fact that all sorts of planning is labelled 'strategic', such as production strategies, financial strategies, R & D strategies and marketing strategies. The word 'strategy' seems to be fashionable and to confer importance and prestige on any

type of planning. The word is even used for a lower level of planning, as in the marketing domain, there are 'product', 'sales', 'promotion', 'advertisement', and even 'copy' strategies (Wensley, 1987).

The over-use and misuse of 'strategy' is not the only reason for the abundance of definitions. Other causes originate in part from the fact that different entities take different approaches to the concept of strategy and strategy formulation. Mintzberg (1988) argues that the reason for the use of strategy in different ways is that it is misleading to give only one single definition to such a vast concept, and thus he proposes "five formal definitions of strategy as plan, ploy, pattern, position, and perspective".

2.3 APPROACHES TO STRATEGIC PLANNING CONCEPTS

The rationale or approach taken by a researcher or author has a decisive influence on the way an observed phenomenon is interpreted, and also defines the way a researcher looks at other factors such as the role of senior executives, strategy variables, activities and outcomes (Weitz and Wensley, 1988). This effect is clearly seen in the interpretation of the Honda case by the Boston Consultancy Group (BCG) as opposed to the reality (Pascale, 1984). BCG was approached by the British Government to look at the motorcycle market in the USA and to determine the reasons behind the decline of the share of British manufacturers in the US market, as opposed to the high market share secured

by Honda. BCG interpreted the emergence of Honda in the US motorcycle market based on the strategy formulation advocated in the literature. The same interpretation is heavily used in case studies (Purkayastha, 1981). In this context BCG defines as contributory factors to the success of American Honda:

- Honda's approach to strategy formulation was well-articulated.

- Its generic strategy was cost-leadership. Due to large-scale production of small motorcycles in Japan, Honda was able to develop a low-cost competitive advantage in the small (50 cc) motorcycle market.

- Honda used 'lightweight motorcycles for the leisure market' as its product-market strategy.

- The advertising strategy was aggressive and skilfully targeted, using "You meet the nicest people on a Honda".

- They used an aggressive pricing strategy.

But the true story is somewhat different. Pascale (1984) reported his interviews with the six executives of American Honda. The Honda executives explained:

- They entered the US market with doubts over whether motorcycles would ever succeed in a country with such a widespread and general use of automobiles.

- The initial objective was to win only 10% of the imported motorcycles market.

- Honda considered its strength to be in bigger motorcycles (250cc and 350cc) as opposed to the successful 50cc motorcycles market.

- Honda's initial efforts were directed to winning a share of the 'bigger motorcycles' market.

- Fortuitously Honda was approached by Sears to sell the smaller units. Honda accepted the offer with reluctance.

- Due to more good fortune, Honda obtained the "nicest people" theme, and though reluctant at first, agreed to use it.

The result was Honda's great success and the capture of 63% of the market share by 1966.

One of the points considered by Weitz and Wensley (1988), on "the impact of different research approaches on what is seen" is related to the outcome of the approach. They argue that the "learning/adaptive" researcher takes "a more general way of describing the process that has taken place"

and the "rational/analytic" researcher considers "an analytical method appropriate for the sort of decision made".

Pascale's description (1984), follows the first approach while the explanation of BCG is the result of the latter - the "rational/analytic" approach.

It is possible to identify two distinct generic types of rationale, mental framework or logic behind the strategic planning concept, namely (1) systems approach and (2) political behavioural approach.

2.3.1 SYSTEMS APPROACH

Broadly speaking, this encompasses "systems analysis" (Archibald, 1970), the "systems planning approach" (Quinn 1978), "rational/analytic" approach (Weitz and Wensley, 1988), and the "synoptic" approach (Lysonski, 1990). It is highly analytical and is responsible for the appearance in the literature of prescriptive theories (Quinn et al, 1988) or normative theories (Quinn, 1978).

Most of the literature on strategic planning has been prescriptive, taking a rationalistic and normative approach to strategy formulation and explaining how strategy should be designed.

The prescriptive view of strategy makes a number of assumptions in strategy formulation (Quinn et al, 1988):

- There is a clear distinction between the formulation of strategy and its implementation.

- The strategy in this approach needs to be made explicit.

- The structure of the organisation should adapt itself to the formulated strategy

- The strategy is formulated at the leadership level and made known to the organisation.

This approach leads to Mintzberg's (1973) definition of the planning mode, the process of which he defined as (p. 82):

In which formal analysis is used to plan explicit, integrated strategies for the future.

and explained its essential features (pp. 85-86):

In the planning mode the analyst plays a major role in strategy-making.

The planning mode focuses on systematic analysis, particularly in the assessment of the costs and the benefits of competing proposals.

The planning mode is characterised above all by the integration of decisions and strategies.

The planning mode is oriented to systematic, comprehensive analysis and is used in the belief that formal analysis can provide an understanding of the environment sufficient to influence it.

The same features are mentioned by Archibald (1970) as the characteristics of systems analysis.

The distinction between formulation and implementation, which is one of the underlying assumptions of this approach, shows the sequential nature of normative planning. The distinction results in contrast between strategic decisions and tactical decisions. Strategic decisions determine strategic direction and focus for the firm. Tactical decisions on the other hand are detailed implementation plans and are supposed to be practical ways of putting to work what is already contained in the strategy statement.

Both terms, strategy and tactics, have military origins. The following definition given by Von Clausewitz (1976, p. 128) best describes the original distinction between them:

Tactics teaches the use of armed forces in the engagement; strategy the use of engagements for the object of the war.

While some authors attempt to draw a clear distinction between strategy and tactics and define dimensions along which one can be distinguished from the other (Steiner and Miner, 1977), others object that such clear distinctions along the proposed dimensions are not acceptable (Weitz and Wensley, 1988). Strategic decisions give birth to what is known in the prescriptive literature as the strategic plan, and tactical decisions give rise to the operational plan. The difference between the two, as seen in the prescriptive literature, resides in their time-horizon and the scope of the planning. While strategic planning has a global view of the organisation and makes a plan for the company as a whole over a long period of time, operational planning considers each business function separately and over a shorter period of time.

The assumption that "the strategy is formulated at the leadership level and made known to the organisation" shows the hierarchical nature of the normative approach. As this view is considered to be very limited in its perspective, it is suggested that the integration of top-level and bottom-level should not be merely uni-directional, but be in both directions (Lorange and Vancil 1977). However, in this approach the objectives, goals and constraints come from the corporate level, and the intervention of the lower management must be within those constraints which maintain its hierarchical characteristic. In this context the objective of the planning is the coordination of the planning activity at the different levels of management.

The prescriptive approach to planning, following the terminology used by Mason and Mitroff (1981), applies the 'expert' approach, in which the planning responsibility is given to an expert or planner. The expertise may come from within the firm in the form of a planning department or externally, through a consultancy firm. The Support for Marketing scheme uses the latter approach.

2.3.2 POLITICAL BEHAVIOURAL APPROACH

This approach considers the relationship between power, behaviour and psychology in the formulation of strategy. It is closely linked with the approach to strategic planning known in the literature as incrementalism. Lindblom (1959) first introduced the concept of disjointed incrementalism in public policy analysis. He argued that strategies, in practice, are formed by decisions made incrementally and the analyst is looking for remedial solutions rather than a perfect solution. Building on that concept, Quinn (1977) introduced the concept of logical incrementalism. He argued (p. 374):

> Managements tend to arrive at their strategic goals through a highly incremental 'muddling' process rather than through the kinds of structured analytical processes so often prescribed in the literature.

While Lindblom (1959) believed in disjointed incrementalism, muddling through and reactive management, Quinn (1978, p. 95) argued that:

> Such incrementalism is not 'muddling'. It is a purposeful, effective, proactive management technique for improving and integrating both the analytical and behavioural aspects of strategy formulation.

In his view, strategy is formed in the organisation as a result of a number of minor tactical decisions that are taken incrementally, and as such there is no such concept as 'grand strategy' which is implemented through tactical actions. Rather, tactical actions in the incremental mode give birth to the strategy in the organisation. He believed that strategy is formed and not formulated and that the process of strategy formation is an interactive learning process. This conforms to the adaptive mode of planning suggested by Mintzberg (1973, p. 85), who defines it the following way:

> The organisation adapts in small, disjointed steps to a difficult environment.

This approach has been variously labelled as the "learning/adaptive" approach (Weitz and Wensley, 1988) or the "descriptive" approach (Quinn, et al, 1988). The descriptive view of strategy challenges the assumptions underlined in the prescriptive view, namely:

- The processes of formulation and implementation are interrelated. Implementation does not follow formulation, but rather the two processes interact with each other.

- There is no need for an explicit definition of 'strategy'.

- The structure of an organisation can operate as a constraint on the strategic decision.

- Strategy is not formulated at the leadership level ('top-down' view), but rather there is "personal involvement at all levels" (Quinn, 1977).

While the normative approach takes a hierarchical view, the incremental approach considers an embedded view where the top-level and bottom-level perspectives are intimately integrated. This is a consequence of the belief that strategy is formed in an interactive process rather than in a sequential process. The objective of planning in this context is a diagnostic function, to see at each interactive step what the situation is and what solution can be adopted.

To sum up the two opposite approaches to planning, the following can be concluded: the objective of the political behavioural approach is diagnosis, the planning process is interactive rather than sequential, the levels of planning are embedded, and the outcome is descriptive. In the rational analytic case, the aim is coordination, the

planning process is sequential, the levels of planning are hierarchical and the outcome is prescriptive (Table 2.1).

Table 2.1   Approaches to planning and their characteristics

Rationale behind planning	Politic/Behav	Rational/Analy
The objective is	Diagnosis	Coordination
The outcome is	Descriptive	Prescriptive
The planning process is	Interactive	Sequential
The planning levels are	Embedded	Hierarchical

2.3.3   CLINICAL APPROACH

Beside the two approaches already outlined, a review of the literature shows the existence of a third, defined by Archibald (1970) as the "clinical approach" and also referred to in the literature as "organisational development", "planned change" or the "human relations" approach (Lippitt et al, 1958; Clark, 1962; Bennis, 1965; Bennis et al, 1969; Schein et al, 1969; Argyris, 1970; Steele, 1975). At the heart of this approach are the "organisational problems" or the "people problems".

This approach again uses an expert to develop a plan and the expert is referred to as a "change agent". As explained by Archibald (1970), "the clinical expert talks about helping

the organisation to change". The objective of the expert is to produce "planned change" and development in the organisation by using the process of analysis, and by helping the client to cope with the environment. Although the other two approaches also acknowledge the complexity of the environment, incrementalists believe that "politics" can take care of the problem and systems analysts try "to create some semblance of order for useful action purposes". The clinical approach treats the problem in a different way (Archibald, 1970, p. 80):

> The clinical expert ignores the messiness of the world himself; instead he attempts to service the client so that the client is better able to cope with it. All the environmental problems are turned into problems of perception, of values, and of skills - they can then be conveniently located inside the client-system. What the clinical expert, or "change agent" as he is likely to call himself, attempts to do is to change structure and processes within the client-system.

The final objective of a clinical expert is to leave a 'turned on group' in an organisation. The decisions are not made on the top and communicated downward, rather it is a participatory decision-making process. During his intervention, the clinical expert tries to work with all levels of an organisation and involve many parts in the making of decisions. He is more concerned with the acceptability of decisions rather than their effectiveness.

If the recommendations offered by the clinical expert are not accepted by the client-system, it will be interpreted as a weakness of the intervention process and the expert himself rather than the client system.

2.4 A CRITICAL VIEW OF THE THREE APPROACHES

The previous sections looked primarily at the different approaches to planning and strategy formulation and their distinctive characteristics. This section explores their advantages and disadvantages and argues how the combination of different approaches can produce better results.

The common belief of prescriptive strategy formulation is that only when a firm or an organisation follows the rules dogmatically will it become successful. Quinn (1977, 1978) established that successful companies do not always plan strategically as dictated in the literature. Quinn et al (1988, p. xviii) argued that the prescriptive theories can be a source of problems rather than a solution:

> Although there has sometimes been a tendency to disdain such descriptive theories, prescriptive (or normative) ones have often been the problem, rather than the solution, in the field of management.

The reason, they argue, is that organisations and the way they are managed are different and thus it is not possible

to cure all problems with the same prescription (Quinn et al, 1988, p. xviii):

> There is no best way in management; no prescription works for all organisations. Even when a prescription seems effective in some context, it requires a sophisticated understanding of exactly what that context is and how it functions.

The rationality behind the systems analysis (the rational/analytic) approach is only a procedural one. The existence of such formal procedures is not sufficient for successful implementation of a strategy. There is a need to understand the organisation and how it works, and then to adapt the prescriptive theory to its particular needs. Leppard and McDonald (1987) thus suggested a change of perspective, by concentrating more on the 'patient' rather than the 'medicine'.

The limitations of prescriptive planning are increasingly acknowledged. Piercy and Giles (1989), once proponents of prescriptive approach to planning, reconsider their view and challenge the "validity and usefulness of a conventional model of the sequence of stages in strategic marketing planning" and propose an "illogical but iterative" model. Driver (1990) also argues that relying only on formal models of planning is misleading as they ignore behavioural processes and their implications.

Prescription gives useful generic guide-lines about the results to be achieved as well as the allocation of the resources, while the descriptive approach enables the analyst to relate the guide-lines to the real world context in which an organisation is positioned (Quinn et al, 1988, p. 80):

> While the analytical tools and models prescribed are vital to thinking about strategy intelligently, they must also be rooted in a genuine understanding of the realities of organisations.

The limitations associated with the two approaches, as explained above, have led Mintzberg (1973, p. 88) to propose the integration of the two approaches, the planning and adaptive modes:

> Planning is not a panacea for the problems of strategy-making. .. Often the planning mode can be used only when mixed with the others. Most important, planners must recognize the need for the manager to remain partially in the adaptive mode at all times.

Mintzberg and Waters (1985) argue that strategies do not need to be explicit and they can emerge as a result of a series of decisions. Mintzberg (1988) makes a distinction between emergent and deliberate strategies. In his view, realised strategies can be the outcome of 'emergent' where "patterns developed in the absence of the intentions", and

'deliberate' where "intentions existed and were then realized". Deliberate strategies conform to "planning and then implementation" while emergent strategies conform to the idea that strategies emerge as a result of human action and not human intention

Although there is controversy in the subject of approaches to planning, there is agreement that both prescriptive and descriptive are useful, if they are applied properly. There is no 'best way' either in managing a firm or planning. Quinn et al (1988, p. 80) argued:

> This model (normative approach) has proven very useful in many circumstances as a broad way to analyse a strategic situation and to think about making strategy. A careful strategist should certainly touch all the bases suggested in this approach.

Weitz and Wensley (1988, p. 348) also argued:

> Neither approach is 'right' in an absolute sense but both, if applied properly, provide useful insights into the overall problem of development, including implementation, of marketing strategy.

The reviewed literature clearly indicates that the systems analysis approach to strategic planning has limited merits on its own and often can be used only when mixed with the other approaches.

While the combination of the two approaches, systems analysis and political behavioural is being increasingly advocated in the strategic marketing planning literature, there has not been any mention or consideration of the clinical approach. The clinical approach has been widely advocated and applied in the organisational development literature, however, its application in strategic marketing planning literature has never been encouraged. It is important to make a parallelism between the two and see how the combination of these two approaches can produce better results.

As explained before, at the heart of the clinical approach are "organisational problems" or the "people problems". Archibald (1970) argued that neither the systems approach nor incrementalism have properly addressed this issue. While incrementalists consider them as "political problems", systems analysts are likely to ignore them (p. 79):

> Incrementalists tend to consider them as political problems....Systems analysts have tended to ignore them, or grumble about them, or, more recently, to fit them into a rationalistic model. Both approaches regard this set of problems as more or less insoluble. To the extent they prescribe to the analyst, they suggest how to live with organisational problems, not how to improve organisations.

A major shortcoming of the systems analysis approach is that its objective is not to help a client, but to improve decision making and that the analyst holds a superior view of himself in relation to the client and expects the client to accept all his recommendations (Archibald 1970).

While the systems analyst is concerned with the output of the organisation and talks about improving the decision-making process, the clinical expert is interested in the development of the client's capability and talks about helping the organisation to change. The effectiveness of a decision is a major concern for a systems analyst, where as the clinical expert is more concerned about the "internal acceptability of decisions than about either their effectiveness or their political feasibility" (Archibald, 1970). If the recommendations of the expert is not accepted by the client-system, the systems-analyst blames the client and tends to argue that he has a narrow and limited view, or the client has a lower intelligence. If the suggested changes are not accepted, the clinical experts blames his own intervention rather than considering the client-system as non-responsive and unintelligent. The systems analyst believes that the information and data move upwards in an organisation, while the decisions move downwards. The clinical expert conceives the decision-making process as participatory. Table 2.2 summarises the major characteristics of the two approaches.

Table 2.2 Comparison between clinical and rational/analitic
         approaches.

	Clinical App	Rational/Analy
The main concern is	Organisa-tional change	Output of the organisation
Outcome of each approach	Development of client capability	Improving decision making
When making decisions, the main concern is	Internal acceptability	'Economic rationality'
non-acceptance of recommendations is regarded as	Expert's fault	Client's fault
Decision making process	Participatory	Top-down

Looking more closely at the two approaches, it can be
noticed that there are disadvantages associated with each of
them taken individually. The limitations of the systems
analysis have already been discussed. As explained by
Johnson (1988), the planning and analytical techniques
advocated in the literature are relevant provided that they
are used "as mechanisms for problem and opportunity
identification and strategy evaluation, rather than as
mechanism for strategic change". He concludes that they are
necessary but not sufficient.

The reviewed literature revealed three distinct approaches to planning: systems analysis, political behavioural and clinical approach. The approaches clearly represent three schools of thought in relation to planning and strategy formulation, as the approach taken by an analyst determines his view of an organisation and the way it can be influenced. The fallacy of the systems analysis as a mechanism of intervention is being acknowledged progressively, and as reported earlier, even those who were once its staunch advocates, are questioning its merits on its own. More and more, the systems analyst is recognising that he can not ignore the 'people problem' within an organisation, nor can he translate all the problems within an organisation into a rational model. He is realising that his view of his own superiority is strongly resented by the organisation and if he wants to have any chance of being accepted and producing results, which is his ultimate purpose, he needs to review his attitude and set of values.

The prescriptive approach, form other hand, has a limited impact on action or learning. In the prescriptive approach the analysis is seen as contributing to bargaining power. The main concern of the analyst is the political feasibility of decisions and he sees himself as the agent of a particular group. Therefore, its influence on action or learning is very limited which is a major drawback associated with this approach. The prescriptive approach may be more extensive, but describing a situation in more detail does not necessarily aid action or learning.

As to the clinical approach, it has a number of limitations. In this approach the internal acceptability of decisions are thought to be more important than their effectiveness or political feasibility. Therefore, the biggest problem facing the clinical expert is his limited contribution to the output of the organisation. The assumption that a 'turned on group' and 'a high morale' left in the organisation will increase productivity and effectiveness in an organisation is a very strong assumption. Clinical experts are increasingly under criticism for their high concern with organisational change and development and refusal of paying special attention towards better performance. The clinical expert also believes that all internal conflicts can be resolved, which may not be so in practice. Although his aim is the development of the client learning and capability, it may often fail to recognise the limitations (structural or otherwise) for such learning.

Interestingly, the clinical approach is strong where 'systems analysis' is weak and vice versa. The clinical expert does not view himself as superior and his aim is to help the organisation to change and to develop the client capability. This is a major shortcoming of the systems analysis. The clinical approach, on the other hand, tends to be more concerned about the internal acceptability of decisions than about their effectiveness. This is an area where systems analysis is quite strong.

As already discussed neither systems analysis nor the power behavioural approaches are concerned with the organisational change. The insufficiency of the systems analysis or clinical approach taken individually, as a mechanism for producing strategic change and improved output suggest a combination of these two approaches. This integration will produce a synergy and will increase the contribution of each of them taken separately. Archibald (1970, p. 83) supports a link between the two approaches in the following terms:

> Systems analysis has much to offer the clinical approach. The clinical approach pays too little attention to the cognitive process of problem-solving, it almost wholly ignores cost analysis, it is weak in dealing with the real-world consequences of action alternatives.....In addition, the clinical approach needs rather open access to an organisation and leverage if it is to have a reasonable chance of being effective....A link with systems analysis just might be able to provide the kind of initial lever the clinical approach needs.

The integration of the two approaches also influences the breadth of planning. Weitz and Wensley (1988) define four different approaches for developing a strategic marketing plan and argue that the appropriateness of each approach depends on the frequency of the planning process and the nature of strategic issue. The frequency of the planning

process can be either routine or unique and the strategic issue can be focused or general (Table 2.3).

Table 2.3 Generic Process Choices in the Management of Planning

| | NATURE OF PLANNING | |
	GENERAL	FOCUSED
FREQUENCY OF PLANNING		
ROUTINE	MARKETING PLAN	CAPITAL BUDGETING
AD HOC	EXTERNAL/INTERNAL CONSULTANTS' REPORT	STUDY GROUP

(Source: Weitz and Wensley, 1988)

As has already been discussed, the clinical approach aims at "organisational development" and at helping the client to cope with the environment. As a result of this change and development, the client will develop the capacity to look at issues more generally and strategically rather than focusing on one single issue at a time. It has been mentioned that "the strength of the clinical approach lies in its understanding of the dynamics of organisational change" (Archibald 1970). If this dynamic and the issues related to the environmental change are understood by the client, he

will realise the necessity of responding to the changes on a regular basis. This comprehension will persuade the organisations to do their planning on a routine basis and not as a once-in-a-life time experience.

2.5 SUMMARY

This chapter looked at various approaches for the development of a strategic plan as well as the underlying strategy concept. Three different approaches were identified and discussed and the appropriateness of each was considered.

The first approach which has been variously labelled as the systems analysis (Archibald, 1970), systems planning (Quinn, 1978), or rational/analytic (Weitz and Wensley 1988) takes a rationalistic, normative and sequential approach to strategy formulation: formulation, plan document, implementation and control. Taking this view of planning, the output of the planning process is the plan document and the contribution of the external expert is summarized in the plan. The effectiveness of the plan is related to the degree of implementation of the recommendations contained in it.

A second approach to planning considers the relationship between power, behaviour, and psychology in the formulation of strategy. This approach has been variously labelled the "learning/adaptive" approach (Weitz and Wensley, 1988) or the "descriptive" approach (Quinn et al, 1988). In this view

strategies do not need to be explicit and they can emerge as a result of a series of minor decisions (Mintzberg and Waters, 1985).

Another approach to planning and the role of the external expert is the clinical approach (Archibald 1970). This approach uses an expert to develop a plan and the expert is referred to as a 'change agent'. In this approach "the clinical expert talks about helping the organization to change". The objective of the expert is to produce 'planned change' and development in the organization, by using the process of analysis, and also helping the client to cope with the environment. The main and real effect of this approach can be seen as the increase in comprehension of the client firm.

CHAPTER THREE   PRESCRIPTIVE APPROACH

As has been mentioned, the scheme supplies the firm with a consultant who provides a strategic marketing plan. The consultant generally will use the prescribed literature and the methodology suggested therein to devise the plan. It is necessary then to see in more detail what the prescriptive approach is and what methodology is suggested. This chapter looks at these issues and reviews the empirical research in marketing planning more closely. It also examines the literature related to the effectiveness of planning.

3.1 THE PRESCRIPTIVE APPROACH

The prescriptive literature explains how strategy should be designed or formulated. The modes of formulation generally agree throughout the normative literature, but this is in "two waves of consensus" (Quinn et al, 1988), one of which was developed in the 1960s and the other more recently (1980s). The name most associated with the first wave is Andrews (1965). The second wave which emerged through the works of Porter "did not challenge the first but rather built on it" (Quinn et al, 1988).

Taking the first wave of prescription, generally the following steps are suggested in the literature for the formulation of the strategy (Andrews, 1980):

1. An environmental analysis of the organisation in the form of definition of opportunities and threats.

2. A study of the resources of the organisation in the form of strengths and weaknesses.

3. Consideration of the non-economic commitment of the organisation towards society.

4. The personal values and aspirations of senior management.

As formulation and implementation are separate stages, the next stage is then the implementation of a formulated strategy.

The second prescriptive view was mainly developed by Porter during the 1980s. The approach again deals with the subject of how strategy should be formulated and uses the conceptual framework of the previous prescriptive view.

Porter believes that competition is fundamental, and it forms the essence of strategy formulation. Appraisal of the external environment was already one of the aspects of the existing prescriptive model. What Porter did was to develop this analytical structure further, succeeding in formulating specific and detailed guide-lines for analysis of the industry structure in general and competitors in particular.

Figure 3.1 contains the major determinants in the appraisal of the external environment.

Porter (1985) further developed his theory to argue that "the central question in competitive strategy is a firm's relative position within its industry", and believed that it was only possible for a firm to achieve long run above-average results if it could have a "sustainable competitive advantage". In his view this performance was only possible if a firm adopted one of the following generic strategies: cost leadership, differentiation, and focus.

Figure 3.1 Elements of industry structure

Entry Barriers

Economies of Scale
Proprietary product differences
Brand identity
Switching costs
Capital requirements
Access to distribution
Absolute cost advantages
  Proprietary learning curve
  Access to necessary inputs
  Proprietary low-cost product design
Government policy
Expected retaliation

Rivalry Determinants

Industry growth
Fixed (or storage) costs/value added
Intermittent overcapacity
Product differences
Brand identity
Switching costs
Concentration and balance
Informational complexity
Diversity of competitors
Corporate stakes
Exit barriers

NEW ENTRANTS

Threat of New Entrants

INDUSTRY COMPETITORS

Bargaining Power of Suppliers

SUPPLIERS

Bargaining Power of Buyers

BUYERS

Intensity of Rivalry

Determinants of Supplier Power

Differentiation of inputs
Switching costs of suppliers and firms in the industry
Presence of substitute inputs
Supplier concentration
Importance of volume to supplier
Cost relative to total purchases in the industry
Impact of inputs on cost or differentiation
Threat of forward integration relative to threat of backward integration by firms in the industry

Threat of Substitutes

SUBSTITUTES

Determinants of Substitution Threat

Relative price performance of substitutes
Switching costs
Buyer propensity to substitute

Determinants of Buyer Power

Bargaining Leverage
Buyer concentration versus firm concentration
Buyer volume
Buyer switching costs relative to firm switching costs
Buyer information
Ability to backward integrate
Substitute products
Pull-through

Price Sensitivity
Price/total purchases
Product differences
Brand identity
Impact on quality performance
Buyer profits
Decision makers' incentives

(Source: Porter, 1980)

3.2   A REVIEW OF THE LITERATURE

The literature in prescriptive strategic marketing planning can be divided into two major categories: textbooks and empirical research.

The first category consists of textbooks which generally discuss the importance and methodology of planning and prescribe the stages to be covered when preparing a plan. The textbooks can also be divided into two groups.

Group one is related to the broad concept of corporate planning which, as reported by Greenley (1987), is "the summation of all planning" occurring in an organisation. While most of these books cover the topic of strategic management and planning in a wider sense, there is little coverage exclusively of the topic of marketing. Greenley (1987 and 1988) provides a list of the literature in both groups. Textbooks that deal with planning in a wider sense are by:

Harvey (1982), Higgins (1983), Aaker (1984), Bates and Eldredge (1984), Byars (1984), Gluek and Jauch (1984), Johnson and Scholes (1984), Murdick et al. (1984), Pearce and Robinson (1985), Ryans and Shanklin (1985), David (1986), MacMillan and Jones (1986), Rowe et al (1986), Wheelan and Hunger (1986), McGlashan and Singleton (1987), Barnett and Wilsted (1988), Pfeiffer et al (1989).

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The group two books, on the whole, have a narrower perspective, but focus directly on the issue of marketing planning. The textbooks identified in this category are: Luck and Ferrel (1979), Cravens (1982), Jain (1981), Greenley (1986), and Mcdonald (1988).

The second category is related to empirical research in marketing planning.

A number of researchers concentrated on how the firms actually performed their marketing planning. The main objective was to identify the stages and the rigour of marketing planning practised in a firm.

Greenley (1987), in a review of empirical research into marketing planning practised by the firms, reported seven major studies, four in the USA and 3 in the UK and organised the results of these studies into four topics, indicating main topics of investigation in each case as follows:

1- The marketing planning procedures that companies have adopted.

The following research concentrated on this theme: Hopkins (1981), McDonald (1982), Greenley (1982 and 1983-b), Cossé and Swan (1983), and Hooley et al. (1984).

2- The process that companies use to prepare their marketing plans.

This involved studies by Stasch and Lanktree (1980), Hopkins (1981), and McDonald (1982).

3- The opinions of managers towards marketing planning.

Major contributions were offered by Ames (1968), Hopkins (1981), and McDonald (1982).

4- The problems that managers experience in marketing planning.

Ames (1968), Hopkins (1981), Mcdonald (1982), and Cossé and Swan (1983) examined this subject.

Recent research on marketing planning includes works by Leppard (1987), Greenley (1988), Piercy and Morgan (1989), Carson and Cromie (1989), Lysonski (1990), and Beckman (1990).

Greenley (1983-b), in a study of the practice of marketing planning in a total of 40 UK manufacturing companies found that a high percentage of firms claimed to be practicing it, while in reality only a small percentage were preparing "a comprehensive marketing plan".

This study reported many weaknesses and some strengths in marketing planning of the companies in the sample . By trying to identify where marketing planning fails, Greenley revealed what concepts and techniques are being used

currently by the firms in the sample. His study showed that 37% of the sample do not consider market share in their objectives. He argues that this omission is a sign of weakness of planning, considering the importance attached to it in the literature. Majaro (1977) considers it as a 'potent diagnostic tool' and Buzzel et al. (1975) have shown positive correlation between market share and return on investment.

In the sample studied by Greenley (1983-b), only 14% of respondents involved the marketing manager in the establishment of the objectives, and about 54% excluded any participation below board level.

Greenley (op cit) also determined the percentage of the firms that prepare a corporate plan or a marketing plan. While 69% of the firms in the sample prepared a corporate plan, 68% of them prepared a marketing plan.

An interesting result of Greenley's study is related to the sequence of planning. Of the firms that claimed to have both a corporate and a marketing plan, 67% indicated that the marketing plan was prepared before the corporate plan and only 33% prepared their corporate plan first. The results obtained in this study by Greenley (1983-b) contradict the sequence proposed by most authors such as Higgins (1980), Hussey (1979), Jain (1981), O'Shaughnessy (1988), who suggest that corporate planning logically precedes marketing planning.

One other result was that 68% of the firms claimed to have prepared a marketing plan, but further investigation by the researcher showed that only 25% of the plans conformed to planning procedures prescribed in the literature.

Saddick (1966) found only 25% of the companies he studied prepared a marketing plan and McDonald (1979) found an even smaller proportion (15%) of the firms in his UK sample practicing marketing planning.

Empirical research indicates that as the size of a firm increases, so does its use of formalised and comprehensive planning. McDonald (1984) found that smaller companies within the sample had a less formal planning process than the larger ones. He argues that one of the conditions needed in order to install a 'complete marketing system' is the consideration of size: "As size and diversity grow, so the degree of formalising of the marketing planning system must also increase."

Cossé and Swan (1983) found that the product managers in their sample had no strategic planning orientation. They also argued that the product managers used only those items of strategic marketing information that they perceived as being useful. Usefulness was measured in comparison with effort in terms of cost and time spent in obtaining the data and conducting the analysis suggested in the study. They argued that greater usefulness might be a consequence of

familiarity of the product managers with the particular technique rather than a genuine measure of usefulness.

Their findings suggest that as knowledgeability regarding a concept or technique increases, the effort needed to use it is reduced. The decrease in required effort will consequently encourage the greater use of a technique and/or concept, as it is perceived to be more useful compared with effort.

Cossé and Swan (1983) also found that within a firm, the helpfulness of planning departments towards product managers (PMs) when formulating a marketing plan, cultivates more strategic orientation among PMs. This result made them conclude that, "the ideal planning department is one that enhances the planning capabilities and efforts of the firm's executives."

Leppard (1987) studied the marketing planning process of a number of British companies, looking among other things, at "marketing planning in the context of a company's development as it grows and adapts to its particular business environment". He concluded that the firms that practice a "complete planning process" are at an advanced level of evolution compared with firms that have "semi-planning" or "no planning at all".

Greenley (1988) looked at the perception of individual managers towards marketing planning. This study found

several considerable differences in the perception of managers towards marketing planning procedures and suggested several factors that possibly contributed to the gap in the perception of different managers. Among them were once-a-year ritual aspect of marketing planning, which happened in most of the firms and the top-down nature of marketing planning and down-top nature of planning execution. Firms were also more orientated towards day-to-day operation rather than long-range issues. Greenley also noted that as marketing plans did not conform to standard formats, there was considerable discretion for individual managers. He also argued that failure to address differences of perception was likely to cause problems.

Piercy and Morgan (1989) in a study of 144 firms in the UK found that planning credibility and utilization had a significant positive correlation with strategic orientation. They also discovered that there was "a link between the use of planning techniques and 'thoroughness' in planning and the credibility and utilization of plans, suggesting that the development of more sophisticated formal planning approaches is at least a significant contributing factor to the credibility and use of marketing plans".

Carson and Cromie (1989) looked at the marketing planning in 68 four-year-old small enterprises. They argue that the approach taken to marketing by "business proprietors" in small firms differs from the managers of larger organisations and maintain that the marketing planning

principles advocated in literature need adaptation before use by small organisations. The result of this study showed that "around two thirds of owners adopted a 'non-marketing' approach to marketing planning, almost one third were 'implicit marketers' and that there were very few 'sophisticated marketers'.

Beckman (1990) looked at the understanding of the concept of marketing strategy by leading firms in four countries (Australia, Britain, Canada and West Germany), and compared it with concepts of marketing strategy used in the marketing literature. The results of this study showed that the concepts and types of strategy elements suggested in the literature by theoreticians are understood by business persons and are used in business organisations.

In addition to these studies which are directly related to marketing planning, there is much empirical research that considers both strategic and long range planning. As marketing planning is intimately related to the strategic planning of an organisation, its inclusion is necessary. This research can be classified as follows:

- General use of planning. Some research looked at the practice of planning in the firms and verified how widespread it was (Brown et al, 1969; Gershefski, 1970; Strigel, 1970; Denning and Lehr, 1971 and 1972; Eppink et al, 1976; Higgins and Finn, 1977; Martin, 1979).

- <u>Observance of planning procedures</u>. A number of pieces of research examined formal planning practised in the firms and concluded that the practice of planning in the firms fell far behind the suggested methodology in the literature. These studies concluded that the practice of formal planning was not as well developed as the literature suggested. A couple of studies suggested that planning was well developed in the sample (Ringbakk, 1969; Taylor and Irving, 1971; Kudla, 1976; Saunders and Tuggle, 1977; Ang and Chua, 1979; Shetty, 1979; Al-Bazzaz and Grinyer, 1980; Bhatty, 1981; Quinn, 1981).

- <u>The effect of planning on success</u>. Other studies researched the effect of planning on the success of firms and concluded that it is a major contributor (Ansoff et al, 1970; Thune and House, 1970; Herold, 1972; Karger and Malik, 1975; Rhyne 1984; Ackelsberg and Arlow, 1985; Pearce II et al, 1987).

- <u>Planning does not affect success</u>. Some research also investigated the effect of planning on the success of the firms and demonstrated that no relationship existed between planning and financial performance (Fulmer and Rue, 1973 and 1974; Grinyer and Norburn, 1974 and 1975; Kudla, 1980 and 1981; Leontiades and Tezel, 1980).

- <u>Size and planning</u>. The relationship between size and planning was also studied. The studies related the practice of planning to the size of a firm and concluded

that larger firms tend to be more involved in strategic planning than the smaller ones (Schollhammer, 1970).

- <u>Use of the portfolio analysis</u>. Use of the portfolio analysis by the firms was researched in other studies, showing it to be very little used by the firms under investigation (Haspeslagh, 1982; Hooley et al, 1984; Greenley, 1985).

- <u>Planning problems and failures</u>. A number of studies concentrated on the causes of planning failures and major problems in strategic planning (Ringbakk, 1971; Seiler and Said, 1983).

Table 3.1 shows the relevant empirical studies and their major findings reported by Greenley (1988).

3.3 PLANNING AND EFFECTIVENESS

Although the literature on planning includes an abundance of prescriptive methods on the effective conduct of strategic planning, there is little to be found on what characterizes 'effectiveness'. On the several definitions of effectiveness in the literature, none can be regarded as wholly adequate. Greenley (1984) reviewed effectiveness in planning and problems in defining it.

Table 3.1 Empirical studies of strategic planning

Author	Country	Sample	Major result
Brown et al (1969)	USA	165 companies	Over 90 per cent of the sample carried out long-range planning
Ringbakk (1969)	USA	40 corporations	Formal planning not as well practised as literature suggests
Ansoff et al (1970)	USA	93 companies	Suggests that corporate level planning is strongly related to success
Gershefski (1970)	USA	323 companies	Only 20 per cent use strategic planning
Schollhammer (1970)	France	371 companies	Large firms carried out strategic planning and concludes size a major factor
Strigel (1970)	West Germany	1600 companies	Only one third carried out comprehensive strategic planning
Thune and House (1970)	USA	36 matched companies	Formal planners found to outperform informal planners
Denning and Lehr (1971 and 1972)	UK	98 companies	Only a small proportion of firms using long-range planning
Ringbakk (1971)	Europe and USA	286 companies	Identified ten major reasons why planning can fail
Taylor and Irving (1971)	UK	27 companies	Corporate planning not very well developed with little planning discipline
Herold (1972)	USA	10 matched companies	Reported that the formal planners out-perform the non-planners
Fulmer and Rue (1973 and 1974)	USA	386 companies	Identified no common relationship between financial success and the use of planning
Grinyer and Norburn (1974 and 1975)	UK	21 companies	Did not find a relationship between formal planning and performance
Karger and Malik (1975 a and b)	USA	90 companies	Indications that planners outperform non-planners
Eppink et al. (1976)	Netherlands	20 companies	Long-range planning identified in most respondent companies
Kudla (1976)	USA	14 companies	Investigated how the firms tackle their planning
Higgins and Finn (1977)	UK	56 companies	Suggestions that corporate planning is practised by many companies
Saunders and Tuggle (1977)	USA	5 companies	None engaged in comprehensive strategic planning
Ang and Chua (1979)	USA	113 companies	Corporate planning found to be well developed in sample
Martin (1979)	GB	100 companies	Some companies found to use strategic planning, others do not
Shetty (1979)	USA	82 companies	Found a wide use of corporate objectives in these firms
Al-Bazzaz and Grinyer (1980)	UK	48 companies	Found considerable differences in company corporate planning
Kudla (1980 and 1981)	USA	328 companies	Found no formal relationship between formal planning and performance
Leontiades and Tezel (1980)	USA	61 companies	No evidence to support a relationship between formal planning and performance
Bhatty (1981)	UK	26 companies	Corporate planning not found to be well developed
Quinn (1981)	UK	10 companies	Strategic planning dissimilar to that given in the literature
Haspeslagh (1982)	USA	345 companies	Limited use of portfolio analysis identified
Seiler and Said (1983)	USA	68 companies	Identified several strategic planning problems
Hooley et al. (1984)	UK	1775 companies	Limited use of portfolio analysis identified
Greenley (1985)	UK	70 companies	Limited use of portfolio analysis identified

(Source: Greenley, 1988)

General approaches to defining effectiveness in planning have been based on either the required end-results or the nature of the planning process.

3.3.1 DEFINITIONS BASED ON THE END-RESULTS.

A number of definitions based on the end-results of a plan have been suggested:

1. Effectiveness in achieving the planned results. (French and Saward, 1975).

The effectiveness is judged if the achieved results equal or exceed the objectives defined in the plan. This method has a number of problems:

- Cause/effect relationship.

Was the planning responsible for the level of performance achieved or would the level of performance have been achieved in any case?

- Isolation of the planning variable.

Other variables beside the planning could have contributed to the performance. How is the effect of one separated from others?

- Illusion of effectiveness (Dyson and Foster, 1983).

Low, and easily-attainable objectives are set by the participants in planning. Attainment of goals which pose no problems, gives the illusion of effectiveness.

- Problem of partial achievement of an objective or achievement of some objectives and not others.

- Change in circumstances (Dyson and Foster, 1983).

Goals defined may lose their appropriateness and value as a result of changes that have occurred in the process of implementation.

2. Financial-based criteria for measuring effectiveness.

In this approach the net result of planning is calculated. By finding the difference between the resulting increased revenue and the cost of planning, the net result of planning is obtained. (Ansoff and Bradenburger, 1967; Granger 1964). This definition also has a number of problems:

- Cause/effect problem

- Isolation of planning variable.

- Difficulty in calculating the costs. How is it possible to isolate the costs of planning from other costs.

3. Effectiveness in correct assessment of opportunities and problems (Kudla, 1976).

The plan is considered to be effective if it correctly includes all the opportunities and avoids problems.

The problem with this approach is the difficulty in assessing all the possible opportunities and problems at the beginning, i.e., at the time of producing a plan. Post-facto analysis of effectiveness will have no impact on improving the decisions.

3.3.2 BASED ON THE NATURE OF THE PLANNING PROCESS.

Dyson and Foster (1983) acknowledged the problems of measuring effectiveness based on the achievement of the end results. They therefore suggest an alternative approach: effectiveness based on the planning process.

In this approach a set of attributes is defined and the effectiveness of a plan is judged by the degree to which the planning process meets the defined attributes.

This approach also presents a number of problems:

- Agreeing on the set of attributes and testing for its validity.

- Difficulty in identifying all attributes.

- Difficulty in determining the contribution of each attribute to effectiveness and common agreement among

firms regarding attributes and the relative weight of each.

- Difficulty in establishing the cause/effect relationship.

- Ability of an effective planning process to achieve the end results.

3.4 SUMMARY

The literature in strategic planning is mainly prescriptive and most empirical research is related to the prescriptive approach to planning. This chapter has reviewed the prescriptive approach in more detail and has looked at the methodology suggested therein. Relevant empirical research has been identified and its main findings presented. The issue of effectiveness of planning has also been examined and different approaches towards an adequate definition explained.

CHAPTER FOUR   STRATEGIC MARKETING PLANNING

The Support for Marketing scheme provides a company with a marketing consultant who is commissioned to prepare a strategic marketing plan. The objective of this chapter is to have a closer look at the issue of strategic marketing planning. Why is it necessary and how has it contributed to the success within firms? What are the benefits of practising strategic marketing planning? What are the reasons behind its failure? These issues will be addressed and the steps involved in the preparation of a strategic marketing plan will be presented.

The benefits of practising planning as a whole, the usefulness of strategy as a tool for management, and the benefits of marketing planning in particular will be highlighted.

4.1   THE NEED FOR STRATEGIC MARKETING PLANNING

The question of "why have a strategic marketing plan?" may arise. After all it is quite clear that the primary reason for the existence of a firm is to make a profit, the more profit the better. But the earning of profit requires the commitment of resources. How are the resources allocated and to what activities? The amount of resources (commitment of resources) that should be allocated to what activity (product-market) in order to maintain and obtain a sustainable competitive advantage, is what makes the planning indispensable. McDonald (1982) found evidence that a number of very successful companies had no planning. He pointed out that their success was due either to the unique nature of the firms' products or services or to the characteristics of senior executives or management. He also mentions that sometimes firms were successful owing merely to good fortune, in that a firm may, due to fortunate circumstances, make an enormous profit without any sort of planning, strategic or otherwise (e.g. Amstrad or Sinclair). But can a firm maintain such success - and if so, for how long?

In the analogy that Wensley (1987) makes between marketing strategy and military strategy, he compares the objective of "make as much profit as you can" to "generals indicating that their strategy is to gain as much territory as possible and ordering the troops to simply charge ahead in any direction they can", concluding that "such global, non-

directive approaches are not successful in a marketing context or military context."

One major reason for having a strategic marketing plan is claimed to be that it is essential for a firm to have a well-defined objective and a plan regarding the allocation of resources in order to achieve that objective. It is argued that without this clear definition spelled out in an explicit marketing strategy statement, as mentioned by Wensley (1987) "the marketing efforts of a business can work at cross purposes." Wensley concluded that, "the strategic marketing statement" provides a vehicle for communicating the businesses future direction and coordinating efforts throughout the organisation."

Change of environment is another factor given as a reason for a firm to have a marketing plan. Long gone is the comfortable environment of the 1960s and early 1970s, where often, little marketing effort was needed to sell a product. Those years were characterized by growth (McDonald 1987) and firms only had to respond to ever-increasing demand. The situation is now totally changed. Firms now need to respond to customer needs and must be prepared to serve the customer better than their competitors do. In order to have a successful business they have to commit themselves to a detailed analysis of future opportunities and find ways and means of satisfying customer needs for the segment of the market their product is aimed at, and offer the benefits the customer is seeking. To summarise, it can be said that "an

explicit marketing strategy statement allows a business to respond more effectively to changing market conditions" (Wensley, 1987). Winkler (1972) argued that as a result of the change in the market and owing to its dynamic and interactive characteristics, the marketing function of firms is becoming more and more complex. In this context firms have to decide on desirability, technical feasibility and economic viability of different choices when they are planning. Tilles (1969) argued that because of rapid change in the environment, the achievement of success has become more problematic and thus the need for planning has increased.

Another reason for the necessity of having a strategic marketing plan is claimed to be the day-to-day operation of a firm. Davidson (1972) and Dodge (1970) argued that, in the absence of marketing planning, companies will practice crisis management, trying to sort out on-going operational problems rather than developing a planned activity and successfully implementing the marketing concept within a firm.

The day-to-day operation of a firm has always been a management function and remains so, but the challenge of managerial work today lies in the ability of the manager to look at the requirements of the firm and its future development with a disciplined and systematic approach. A proactive approach to management gains a new dimension, and

managers' steady and continuous success is much related to their ability to approach the market proactively.

Loasby (1967, p. 89) asks, fundamentally, why a firm needs to plan and look into the future. He provides three reasons:

To understand the future implications of present decisions.

To examine the present implications of future events.

To provide some specific motivation and mechanisms in order to look into the future in a systematic way.

One of the benefits of a systematic procedure in planning is that various projects need to be appraised at the same time. This allows evaluation of whether one project assists or hinders the accomplishment of another project. The first process was labelled by Ansoff (1965) as synergy and the second by Loasby (1967) as allergy.

Ansoff (1965) contrasted the benefits of having strategy as a management tool with those of the alternative approach, which is to "have no rules beyond the simple decision to look for profitable prospects." He listed five benefits in using strategy as a management tool (p. 13):

1. In the absence of strategy, there are no rules to guide the search for new opportunities, both inside and outside the firm. ...

2. Project decisions will be of poorer quality than in firms with strategy. ...

3. The firm will have no formal provision for partial ignorance. No yardsticks are available to judge whether a particular opportunity is a rare one, or much better ones are likely to develop in the future. ...

4. Without the benefits of periodic appraisal, the firm would have no assurance that its overall resource allocation pattern is efficient and that some products lines are not obsolete. ...

5. The firm will lack an internal ability to anticipate change.

As benefits of the alternative approach he listed (p.12):

1. The firm would save time, money, and executive talent which are required for a thorough strategic analysis. ...

2. The field of potential opportunities will be in no way restricted. Objectives and strategy limit the field of the 'search'. ...

3. The firm reaps the full advantage of 'the delay principle'. By delaying commitment until an opportunity is in hand, it is able to act on the basis of the best possible information.

Ansoff (op cit, p.13) concludes that:

The advantages of not having any bets and of not committing the firm's resources until the last moment are pitted against the disadvantages of inefficient search, enhanced risk of making bad decisions, and lack of control over the overall resource.

Writers on marketing planning agree that a major source of problems in companies is their inability to plan ahead and be responsive to environmental change (Fisher, 1970; Miracle and Albaum, 1970; Cateora and Hess, 1967).

All authors of prescriptive theories attach benefits to marketing planning. Though their list might be more or less similar, the fact is all of them find a number of benefits associated with the planning.

The following is a list of such benefits, which can be found in older as well as recent literature: Najjar (1966), Boyd

and Massey (1972), Terpstra (1972), Camillus (1972), Pearson (1973), McDonald (1987).

- Readiness of the firm to response to changes when they occur and preparedness to respond rationally to the changes.

- Encouraging systematic forward thinking on the part of executives

- Definition of market-centered objectives

- Identification of major opportunities

- Coordination and adjustment of corporate resources to the opportunities.

- Coordination of inter-related activities and integration with other activities. The plan delivers a structure for a routine review of operations.

- Possibility of measuring the performance of each unit against specific defined goals

- More efficient use of limited top-management time, concentrating on major issues rather than on unimportant details

- Improvement of communication and reduction of conflicts in an organisation.

While there is less objection to some of the points suggested here, others are controversial. Authors who take

the incremental view of planning oppose some of them. For example, planning can be seen as causing rigidity and inflexibility rather than preparedness, or generating unwanted centralization instead of coordination.

4.2 CONTRIBUTION OF MARKETING PLANNING TO SUCCESS

All the claimed benefits are aimed at achieving success in the firm in the long run. Success needs to be measured. The most common way of measuring success in companies, suggested in the literature (Bell, 1979; Kotler, 1980), has been by way of quantitative objectives such as sales volume, market share and return on investment. In reality, these measures have been used in basic and early models for marketing strategy such as the Boston Consultancy Group (BCG) or General Electric (GE) model for investment analysis. Day and Wensley (1988) question the appropriateness of such measurement criteria as market share and profitability as indicators of marketing effectiveness.

There have been a number of empirical studies to relate success to planning using finance-related measures. A number of them looked at the relationship of the strategic planning at corporate level with success. For example, Ansoff et al (1970), by using measures such as sales, earnings, earning/share, stock price, total assets, debt/equity, earnings/total equity, and debt/equity concluded that planners out-perform non-planners. Other studies in this category are: Thune and House (1970); Herold (1972); Karger

and Malik (1975 a and b). Schoeffler et al (1974), concluded that firms experienced a higher return on investment as a result of systematic strategic planning. Other studies looked at the practice of marketing planning and its relationship with success: Leighton (1966) found that there was a high correlation between systematic planning procedures and high growth in his sample of 400 U.S. corporations. Hooley et al (1984) focused on the relationship of marketing planning and performance and found a positive association between them. Lysonski (1990) used a random sample of New Zealand organisations to examine the relationship between performance, both in objective and perceptual terms, and marketing planning. This study, which analysed 522 usable responses, identified that there was a positive relationship between 'formalisation' and 'comprehensiveness' of marketing planning and 'objective performance measures' such as revenue and profit. Performance was also positively related to the expenditure on marketing research. The results related to 'perceptual measures of performance' were less convincing, which as argued by Lysonski might be due to measurement errors associated with such evaluation.

While the above mentioned studies relate performance to planning, other studies (Fulmer and Rue, 1973 and 1974; Grinyer and Norburn 1974 and 1975; Kudla, 1980 and 1981 and, Leontiedes and Tezel, 1980) conclude that there is no relationship between formal planning at corporate level and performance or financial success.

Two points have to be clarified in connection with the results of the empirical studies. They often fail to consider either firms that had used formalized planning and had not been successful or firms that had not used formalised planning procedures and had enjoyed success. By looking only at the relationship between success and planning, it is implicitly assumed that other factors cannot influence the success of a firm. There is evidence, for example, that a manager's background has an influence on his or her performance (Storey et al, 1988).

Other criteria for measuring success have been suggested. Ferguson and Dickenson (1982) believe that the way an organisation manages its critical success factors should be used as a criterion for measuring success. Carroll (1979), Saul (1983) and Goldsmith and Clutterbuck (1984) suggest other guide-lines such as: degree of innovation in a firm, consideration of environmental issues, employee conditions, employment prospects, industrial relations, and consideration of ethical values. In spite of the apparent difficulty in measuring the suggested guide-lines, some have been included rather qualitatively in a study by Peters and Waterman (1982), who used a set of non-financial criteria to characterize excellent, innovative companies.

Consideration of long term objectives and their dominance over short term profitability (Webster, 1981; Hayes and Aberanthy, 1980) is considered to be one of the requirements for success in firms. Baker and Abu-Zeid (1982) argued that

in order to achieve success in exporting, there is a clear need for long-term commitment. Hooley and Lynch (1985) also found that successful companies were aware of the need for long-range planning. Saunders and Wong (1985), in a study of British companies, also found that successful firms, unlike unsuccessful ones, were more concerned with long-term objectives. Unsuccessful firms were much more concerned with "good short term profits." King (1985) argued that the approach taken should "work over time." Ames (1970) also concluded that the marketing concept cannot be established in a firm unless management is committed to longer-term goals.

In a study on the characteristics of medium-sized growth companies in the USA, McKinsey (1983) found that one of the factors contributing to success was the "unusually clear vision of the distinctive role of the company" by the members of the organisation. This result is confirmed by Hooley and Lynch (1985) in their study of 1504 UK companies, which showed that more-successful companies were also more sensitive towards strategic issues and more responsive than unsuccessful companies. Successful firms, referred to as "high fliers", were more likely to be active in growth markets, and the authors believed this was related to their "superior planning system."

Other studies show the contribution of particular marketing techniques, such as market research, market segmentation,

product policy, service and sales, promotion and advertising and price.

A study by Chaganti and Chaganti (1983) involved 192 small firms. They looked at key factors in the product and market strategies of profitable firms and concluded that their success had its origins in correctly identifying niches in the market place.

4.3 PLANNING, ITS BENEFITS AND FAILURES

The usefulness of strategic planning is not universally accepted and there is argument as to its benefit and its likely influence on the performance of firms. Some argue that formal strategic planning is a major factor in corporate success and enhances organisational performance (Ansoff, 1965; Hofer, 1975; Hofer & Schendel, 1978; Lorange, 1980; Steiner, 1979). However, this is challenged by others (Lindblom, 1979; Mintzberg, 1978; Quinn, 1980) who claim that, in practice, firms often do not apply the prescribed methodology when making important strategic decisions.

Unfortunately, the research on the effect and value of strategic planning has shown conflicting results (Armstrong, 1982; Hofer, 1976; Shrader, Taylor & Dalton, 1984; Watts and Bizzel, 1988).

The same controversy is present in relation to marketing planning. As this study is concerned with the marketing

planning of firms, its benefits, and reasons underlying its failure will be discussed.

4.4 REASONS BEHIND MARKETING PLANNING FAILURE

Though marketing planning is widely advocated as a means of achieving success, and there is a host of prescriptive literature on how it should be done and its likely influence on the performance of firms, there is some evidence that in practice it has failed to produce the intended results. A study by McDonald (cited in Leppard and McDonald, 1987, p. 160) reveals that:

> Many of the companies that had most of the trappings of sophisticated marketing planning systems suffered as many dysfunctional consequences as those companies that had only forecasting and marketing budgeting systems.

This result justifies the attitude of those who are skeptical towards the use and/or effectiveness of marketing planning and explains why it is said that "marketing planning has failed to storm the citadels of financial control systems" (Marketer 1987; The Times 1986, cited in Leppard and McDonald, 1987, p. 159).

A brief review of literature in connection with failures in marketing planning is of interest, because by understanding

the reasons behind marketing planning failure, it may be possible to avoid them.

Ames (1968) looked at the findings of a study performed by McKinsey and Company on the marketing planning process of fifty industrial manufacturing companies in the USA. The purpose of the study was to find out the reasons behind the success of marketing planning in industrial manufacturing companies. This study uncovered four reasons for the failure of marketing planning.

1. Deficient communication of corporate objectives to all parties throughout the organisation, and setting of unattainable and unrealistic corporate growth objectives.

While Ames considers deficient communication of corporate objectives as a failure of marketing planning, Quinn (1977) argues that successful executives deliberately do not announce goals precisely in order to avoid centralization, focus for opposition, rigidity and insecurity.

2. Lack of adjustment of marketing planning to particular needs of the industrial goods manufacturer. In fact, the study revealed a difference in emphasis on marketing elements in industrial goods companies as opposed to the consumer goods companies.

3. Companies were more concerned with planning procedures than with the outcome of planning. This is what Ames

(1970) refers to as concern with trappings rather than substance.

The above result is in contradiction with the findings of a study by Saddick (1966) who concluded that formal planning processes should be emphasized more in firms. His other conclusions concurred with what is commonly found in the literature (cited in McDonald, 1982-a, p. 100):

> There can be no application of marketing concept without planning. This planning should be geared to the market, integrated with other business plans, and based on facts.

4. Major programmes were actually repeated year after year, without considering the environmental changes that were taking place. This Ames referred to as the "tunnel approach."

This suggests that in many situations the planning activity in a firm is an annual ritual, without any real thought put to its formulation and still less effort to implement what is suggested in the plan (Seyna, 1985).

Terpstra (1972) argues that the reason for the lack of success of marketing planning has been the inability of firms to integrate the elements of marketing in a logical sequence. Although they practise many elements of marketing, they do not do so in a coherent and organised fashion.

Another reason for the lack of success of marketing planning is argued to be in the difficulty of implementing a marketing plan. On this difficulty McDonald (1982-b, p. 31) concluded:

Designing and implementing systems and procedures for marketing planning is far more difficult than the literature suggests.

This seems to be an important argument. Despite the fact that business literature is full of guide-lines on how to design and implement a marketing plan, firms experience great difficulty in implementation, so that there is a general tendency to doubt the value of planning in an organisation.

Ringbakk (1971) studied the reasons behind planning failure in research on 350 firms in Europe and the USA. The study is related to corporate planning and gives ten reasons why planning fails. His findings confirm those of Ames. One of his 10 listed points is that there is confusion between planning and financial projections within planning.

Liander (1967) looked at the practice of marketing in the sample of firms he studied, and argued that the lack of both coordination and integration of several functions was one of the major problems in their marketing practice. There was no understanding of goals, objectives, budgeting, forecasting and planning. There was no attempt to define marketing

objectives and how to achieve them, that is to say, there was no planning process capable of responding dynamically to environmental changes.

Martin (1979) suggested that one reason for the failure of planning is 'bad planning': the result of a gap between theory and practise. The gap between theory and practice is well documented in the literature on marketing planning research (Greenley, 1988 ; McDonald, 1982; Cosse and Swan, 1983; Leppard, 1987 ; Piercy and Morgan, 1989).

In his study of 40 major European and USA multinational firms, Weichman (1974) found that the lack of understanding and knowledge of management in basic marketing skills and in marketing planning was a major problem in subsidiaries.

Marketing planning has been criticised as too academic, and unresponsive to the needs of firms. Davidson (1972), in a study of 195 firms in the USA, reported that companies regarded marketing planning as too academic, affecting the flexibility of the firm and consuming much of management time.

Authors such as McDonald and Ames suggest how such failures can be avoided. Ames (1970) suggested that an effective implementation of a strategic plan requires:

1. A thorough understanding of the marketing concept and strategic planning by management.

Saddick (1966) also found that marketing planning was more advanced in firms where the chief executives understand and accept the marketing concept.

2. The commitment of management to its implementation.

3. The installation of administrative mechanisms for effective implementation of the concept.

McDonald (1982) also, in a detailed study of 263 UK industrial manufacturing companies, considers conditions for effective marketing planning. He reports on a firm's attitude to marketing planning, and lists the "reasons why Non-Planning companies felt no need for marketing planning" and "marketing planning system design and implementation problems", (Tables 4.1 and 4.2).

McDonald concludes that the effectiveness of a marketing plan is conditioned by certain requirements. He argues that in order to install a 'complete marketing planning system' a number of conditions need to be present. These conditions are similar to those previously mentioned by Ames (cited in Leppard and McDonald, 1987, p. 160):

   i. The chief executive has to understand the system and actively promote it.

Table 4.1 Reasons for not wanting marketing planning

REASONS FOR NOT WANTING A MARKETING PLAN

1. We have made good profits so far without it.

2. Planning would take up too much time and prevent me getting on with the job.

3. Plans discourage initiative.

4. A marketing plan is inflexible. Things change too fast.

5. Plans never come true, so why waste time writing them.

6. I know this business like the back of my hand. I do not need to write it down.

7. We make good products that customers want. We do not need marketing plans.

8. Nobody reads them when they are prepared.

9. It's just a meaningless ritual.

10. It's not necessary in this business.

(Source: McDonald, 1982-b)

Table 4.2   Marketing planning systems design and
            implementation problems.

MARKETING PLANNING SYSTEMS DESIGN AND
IMPLEMENTATION PROBLEMS

1. Weak support from chief executive and top
   management.

2. Lack of a plan for planning.

3. Lack of line management support:

   - hostility
   - irrelevant to short term reward system
   - lack of skills
   - lack of information
   - lack of resources
   - inadequate organisation structure
   - fear of loss of personal power

4. Numbers in lieu of written objectives and
   strategies.

5. Confusion over planning terms.

6. Too much detail, too far ahead.

7. Once-a-year ritual.

8. Separation of operational planning from
   strategic planning.

9. Failure to integrate marketing planning
   into a total corporate planning system.

10. Delegation of planning to a planner.

(Source: McDonald, 1982-b)

ii. There has to exist the means of integration with other functional areas of the business at general management level.

iii. In a well established, on-going planning system, some mechanism has to be found to prevent marketing inertia from over-bureaucracy.

iv. Operational and strategic marketing planning have to be part of the same system.

The above findings are necessary requirements for installing a marketing planning system but not the sufficient ones. The question is not so much what is needed but how to do what is needed. What mechanisms are necessary to prevent over-bureaucracy? Integration with other areas has already been largely prescribed in the literature. What means should exist to integrate marketing planning with other functional areas? There is no evidence to show that once the conditions in i) to iv) are satisfied, an effective strategic plan will be implemented. There is no empirical evidence to show that firms which do not follow these principles end up in disaster.

Leppard and McDonald (1987) further researched this topic and their work led to the reappraisal of the role of marketing. They believe that there is nothing wrong with the theories and prescriptions, provided that they are used in the right context. Their research highlights evidence that

there is a relationship between 'the stage of development' of the firm and 'how a company tackles marketing planning'. They argue (p. 170):

> The acceptance of marketing planning is largely conditioned by the stage of development of the organisation and the behaviour of the corporate culture carriers. Thus it is that different modes of marketing planning became more appropriate at different phases of the company's life.

They believe that it is necessary to devise diagnostic tools in order to identify which stage of development a firm has reached and what the behaviour of the corporate culture carriers is in the firm. Given such understanding, it is possible to find tailor-made solutions, to solve problems in a firm. The stages model suggested by Leppard and McDonald (1987) suffers from the potential problem of all contingency models and should really pass the test not that some degree of variance is explained by the contingent variable, but that a substantial proportion of variance is explained by it.

4.5 THE STRATEGIC MARKETING PLANNING PROCESS

In previous sections the need for strategic marketing planning was discussed and its benefits and shortcomings reviewed. The final issue to be addressed in this chapter is the marketing planning process and the stages involved in

the preparation of a strategic marketing plan. Firstly, however, it is useful to briefly discuss the issue of corporate planning and how it is related to marketing planning. The prescriptive literature suggests that marketing is one of the functional areas of a business (Higgins, 1980; Hussey, 1979; Jain, 1981; O'Shaughnessy, 1988) and as such strategic marketing planning has to be integrated within the wider concept of corporate planning. That is why the same literature suggest that logically, marketing planning should follow business or corporate planning.

Argenti (1974, p.16) suggests that corporate planning is "the careful, systematic taking of strategic decisions" and describes it in the follows terms:

> Corporate planning is a systematic approach to clarifying corporate objectives, making strategic decisions and checking progress towards the objectives. Corporate objectives are the objectives for the organisation as a whole, not for parts of it.

One of the main purposes of a corporate plan, in McDonald's view, is (1987, p.77):

> To provide a long-term vision of what the company is or is striving to become, taking account of shareholder expectations, environmental trends, resource market trends, consumption market trends, and

the distinctive competence of the company as revealed by management audit

Figure 4.1 shows the steps involved in the preparation of a corporate plan and the relationship of the strategic marketing planning to corporate planning as suggested by McDonald (1989).

4.5.1   STAGES IN THE STRATEGIC MARKETING PROCESS

McDonald (1987, p.72) defines strategic marketing planning as follows:

> It is a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them. It is a management process. Strategic marketing planning by means of a planning system is, per se, little more than a structured way of identifying a range of options for the company, of making them explicit in writing, formulating marketing objectives that are consistent with the company's overall objectives and of scheduling and costing out the specific activities most likely to bring about the achievements of the objectives. It is the systematization of this process which is distinctive and which lies at the heart of the theory of strategic marketing planning.

Figure 4.1 Marketing planning and its place in the corporate cycle

Step 1	2 Management audit	3 Objective and strategy setting	4 Plans	5 Corporate plans
	Marketing audit Marketing	Marketing objectives, strategies	Marketing plan	
	Distribution audit Stocks and control; transportation; warehousing	Distribution objectives, strategies	Distribution plan	Issue of corporate plan, to include corporate objectives and strategies; production objectives and strategies, etc.; long-range profit and loss accounts; balance sheets
Corporate financial objectives	*Production audit* Value analysis; engineering development; work study; quality control; labour; materials, plant and space utilization; production planning; factories	Production objectives strategies	Production plan	
	Financial audit Credit, debt, cash flow and budgetary control; resource allocation; capital expenditure; long-term finance	Financial objectives, strategies	Financial plan	
	Personnel audit Management, technical and administrative ability, etc.	Personnel objectives, strategies		

(Source: McDonald, 1989)

As reported by Hopkins (1981, p.16), a marketing plan typically sets out to answer three questions: "Where are we now? Where do we want to go? How can we get there?". These are indeed typical questions in any sort of planning. In the literature, a number of steps have been suggested. Hopkins (1981) defines the following as the basic elements of a marketing plan:

- Situation analysis
- Forecasts
- Objectives and strategies
- Action programmes
- Monitoring procedures
- Contingency planning

Figure 4.2 shows the basic steps for the preparation of a marketing plan as suggested by Hopkins.

Figure 4.3 shows the stages suggested by Mcdonald (1987) for the preparation of a strategic marketing plan which involves the following phases:

- Marketing audit
- SWOT (strengths, weaknesses, opportunities, threats) analysis
- Assumptions
- Marketing objectives and strategies
- Estimation of expected results
- Identification of alternative plan and mixes

Figure 4.2   Simple flow chart of a marketing plan

Chart 1: Simple Flow Chart for a Marketing Plan
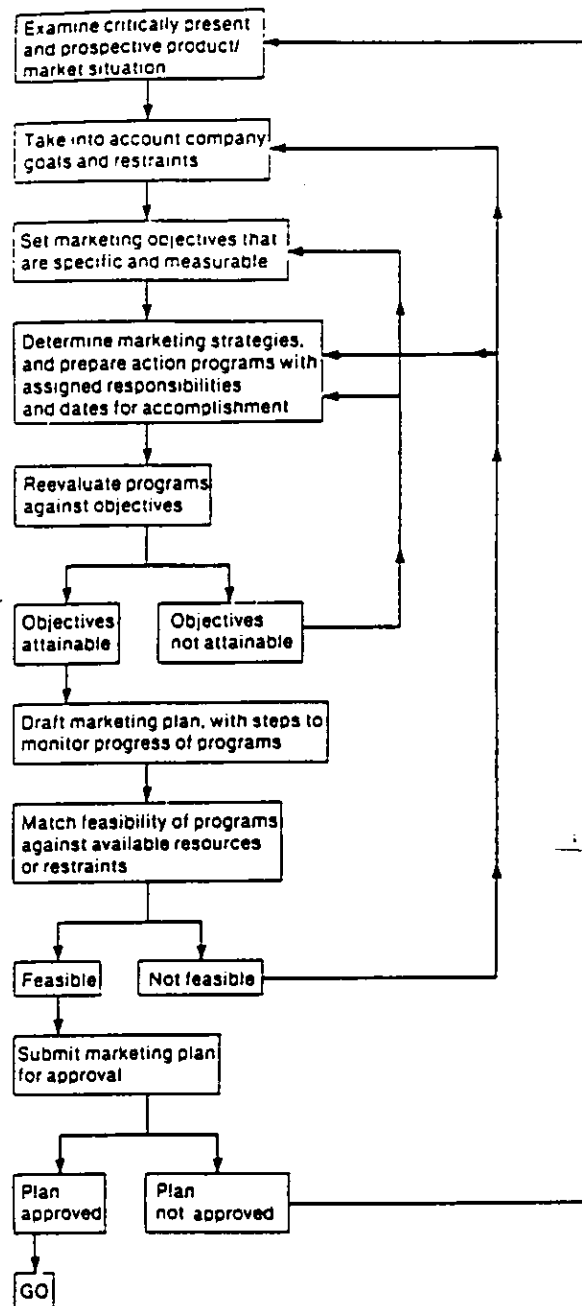
(Source: Hopkins, 1981)

Figure 4.3 The marketing planning process
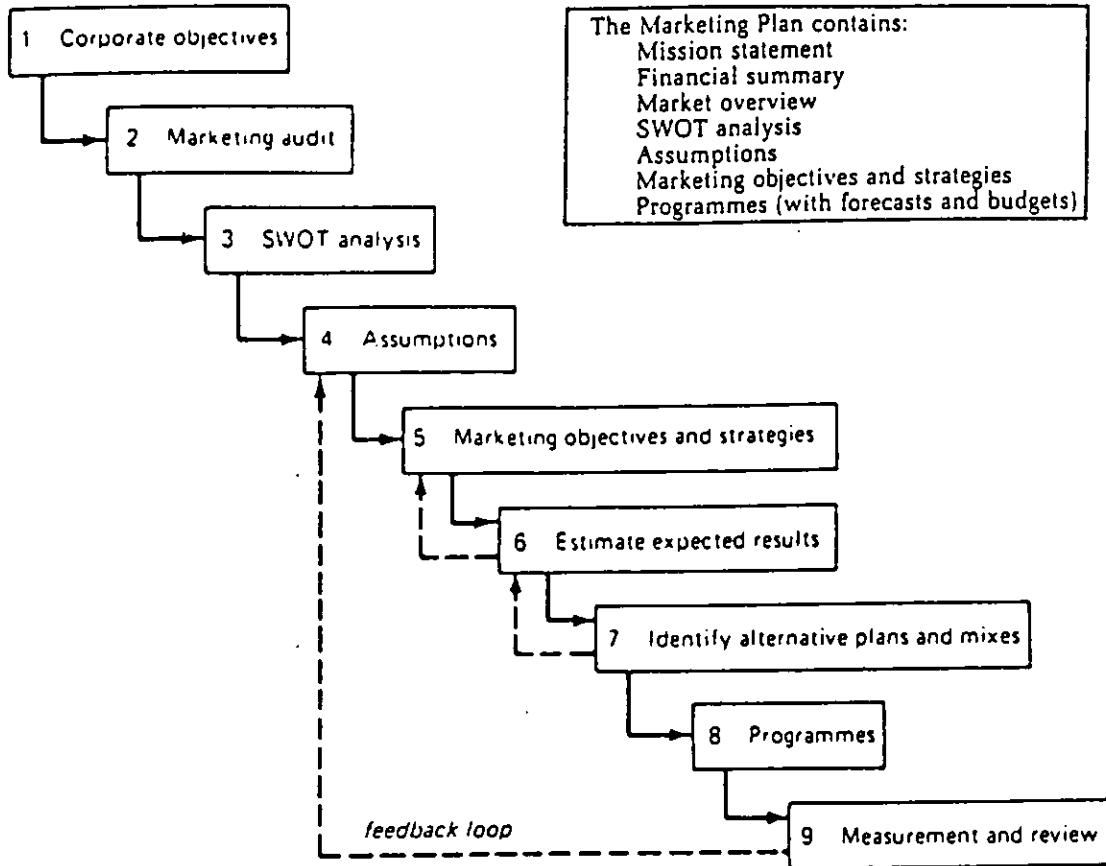
(Source: McDonald, 1989)

- Programmes

- Measurement and review.

The suggested procedures for the development of a strategic marketing plan are mostly very similar. A short review of each step will be done, following the process suggested by McDonald (1989).

The Marketing Audit. The marketing audit (McDonald, 1987) or the situation analysis (Hopkins, 1981) involves an assessment of the external environment and the internal status of the firm and its products. In fact, it answers the question of "where are we now?". McDonald (1987, p.84) defines the marketing audit in the following way:

> A marketing audit is a systematic appraisal of all the external and internal factors that have affected a company's commercial performance over a defined period.

McDonald (1989) defines two sources of audit: external, which deals with the variables over which a firm does not have any control, and the internal, over which a firm can exert influence. The external audit covers issues such as: business and economic environment; the market and its characteristics; and competition. The internal audit considers the company sales, market share and profit margins; marketing information and research; and marketing mix variables.

SWOT Analysis. The marketing audit step provides a firm with information regarding the external and internal variables. As explained by McDonald (1987, p.85), "the audit is simply a data base, and the task remains of turning it into intelligence, that is, information essential to decision making". By grouping the external factors under the headings of opportunities and threats and the internal variables under the heading of strengths and weaknesses it is possible to translate the information gathered at the audit level into a systematic means of evaluating the current situation of the firm and obtaining a clearer picture of where a firm stands.

Assumptions. Every marketing plan is based upon a number of assumptions (Hopkins, 1981; McDonald, 1989). Assumptions may be related to a number of issues such as the increase in the size of market; types of pressures on the market; anticipated changes in the market; socio-political aspects of the market, or possible changes in customer purchasing patterns. At this stage, the assumptions on which the plan is developed need to be defined and agreed upon.

Marketing Objectives and Strategies. At this stage the objectives to be achieved are set and the way to achieve them is determined. McDonald (1987) defines an objective as "what you want to achieve" and a strategy as "how you plan to achieve your objectives". Therefore, this step is a fundamental one in the strategic marketing planning, as it defines where the company wants to go and how it will get

there. All the steps prior to this are aimed at helping the organisation to set feasible, acceptable and achievable objectives and define appropriate ways of achieving them. The marketing objectives defined at this stage are related to products and markets and can be summarised using the opportunities matrix suggested by Ansoff (1957), Figure 4.4.

Figure 4.4   Opportunities Matrix

	Existing Products	New Products
Existing Markets	1. Market Penetration	2. Product Development
New Markets	2. Market Development	4. Diversification

(Source: Ansoff, 1957)

As Figure 4.4 shows the marketing objectives are mainly related to existing or new products for existing or new markets. The marketing strategies, as explained by McDonald (1989) are "the means by which marketing objectives will be achieved and generally are concerned with the four Ps", which are: product, price, place and promotion.

Programmes. The strategies defined in the previous step need to be translated into a practical programme for action in order to achieve the established objectives. As reported in a study by Hopkins (1981), "without a programme for accomplishment, an objective is simply wishful thinking". But first it is necessary to estimate the cost and expected results of each strategy. If the strategies are not feasible, new ones should be identified. Thus, the steps five, six and seven suggested in Figure 4.3 have to be done in an iterative way until the final objectives and strategies are determined and spelled out in a programme of action. By completing the programme for action, the answer to the question of "how to get there" is given.

Measurement and review. Periodically the progress of marketing activities needs to be reviewed to help to decide if it is as planned, and if not, the reasons for the failure. By identifying gaps between expected and achieved results, corrective action can be taken to accomplish the planned schedule. In some cases, it may become necessary to alter the initial objectives. Hopkins explains (1981, pp.26, 28):

> These reviews provide an opportunity to "listen for weak signals," to redirect any parts of a planned action programme that are off target and, as allowable in some companies, actually to modify the original objectives, strategies and programmes in the light of changing conditions.

The suggested models associated with the stages of planning have major limitations: they are all linear and sequential in nature. In practice, it might be more appropriate to use a more iterative and evolutionary approach.

4.6 SUMMARY

In this chapter, the issue of strategic marketing planning, and its claimed benefits has been reviewed. Strategic marketing planning, its performance in relation to the claimed benefits, and reasons behind its failure have been discussed.

Some of the problems that discredit marketing planning were also reviewed. They are:

Lack of understanding of the marketing concept and its function in the firm.

Lack of marketing and planning skill in a firm to devise and implement a plan.

Confusing planning with forecasts, and budgets.

Non-integration of marketing planning with other functional areas and with the corporate plan.

Practice of marketing as a ritual as opposed to a useful and effective way of improving results.

If these problems are eliminated it is likely that the practice of marketing planning will have a positive impact on the firms (Ames, 1970; McDonald, 1982).

Finally, the stages involved in the preparation of a strategic marketing plan were reviewed.

CHAPTER FIVE CONSULTANCY

The Support for Marketing scheme provides a company with a marketing consultant who is commissioned to prepare a strategic marketing plan. The objective of this study is to look at the impact of marketing consultancy. Therefore, it is necessary to look at the issue of consultancy in some detail, which is the aim of this chapter.

5.1 INTRODUCTION

There has been a change of attitude towards the role of consultancy in organisations.

Steele (1975) argues that the claim that the use of an external consultant or an expert is a sign of weakness in an organisation, is disappearing. Nor is consultancy seen as suitable only for an unusual situation. The use of consultants on a regular basis is now considered to be part of the healthy growth of an organisation. Firms are increasingly realising that survival is dependent on ability to cope with environmental changes, and they now realize that in certain situations an external expert can help them to manage change.

De Geus (1988) points out the importance of adapting to changes in the business environment. Referring to a study at Shell, which surveyed 30 companies that had been in business for more than 75 years, he reports how impressed Shell were by the ability of these companies "to live in harmony with the business environment, to switch from a survival mode when times were turbulent to a self-development mode when the pace of change was slow". He believes that it is essential for the organisation to understand change and to become capable of responding to it. He also agrees that a consultant can play an important role in this process as a "transitional object", and emphasises that "successful

consultants let themselves be treated as transitional objects". De Geus explains (p.73):

> One characteristic of play, as the Tavistock Institute in London has shown, is the presence of a transitional object. For the person playing, the transitional object is a representation of the real world. A child who is playing with a doll learns a great deal about the real world at a very fast pace.

De Geus explains that in this approach, instead of producing a plan based on his own mental model or framework, and presenting it as a final product to the client, the consultant will try to take the client through the process of planning. This is done by trying to uncover and utilise as the starting point, the implicit strategies existing in the organisation which represents "the mental model that the audience has at the moment". Based on this information, alternative strategies are formulated and presented to the management team for their feedback and comments. The process requires interaction between management and the consultant and "is likely to go through a number of iterations, during which the team's original model will change considerably". The objective of the intervention is to prepare the decision-makers for change, which, when it occurs, will find them mentally prepared and able to respond effectively and promptly. De Geus believes that this is only possible if there is organisational learning (p. 70):

In other words, they depend on learning. Or, more precisely, on institutional learning, which is the process whereby management teams change their shared mental models of their company, their markets, and their competitors. For this reason, we think of planning as learning and of corporate planning as institutional learning.

De Geus argues that the process of learning in order to adapt to change has to be fast, and claims that "the ability to learn faster than competitors may be the only sustainable competitive advantage". Not only is institutional learning important, but more vital is the acquisition of learning by those with executive power. Therefore, he argues, the role of the planning department should be to create the climate and to influence the mental state of decision makers to the point at which they are prepared to manage change.

The importance of consultancy relies on the fact that it deals with real-life problems which if understood or solved can make a real difference to an organisation.

Consultancy is performed through the intervention of a consultant who assists firms to overcome their problems. Such intervention and assistance is based on his specialist knowledge, expertise and experience, far beyond "the common sense" form of recommendations (Blake and Mouton, 1976).

Generally there are a number of reasons for a firm seeking the services of a consultant (The Economist, 1988):

- Consultants are asked to intervene in order to help the client firm cope with change. Consultants are generally known as "change agents".

- To receive an independent and expert view of the overall strategy of the firm. Consultants are also requested to intervene when part or parts of the business are not performing well.

- To solicit an expert opinion when a firm is considering a particular move.

- To obtain confirmation regarding the on-going activities of the organisation.

- When the firm is in a quandary and as such seeks expert opinion.

- Consultants may also be called in for political reasons (p. 6):

    Calling-in of consultants for reasons of internal office politics: to strengthen one faction's case for a strategy, or even to provide a pretext for sacking particular managers.

Although the first consulting firms began operating at the end of 19th century, consultancy as such has been

established only after the second world war (The Economist, 1988).

5.2   CONSULTANCY RELATIONSHIP

The relationship between client and consultant is described by Lippitt (1959, p. 5) in the following way:

> The general definition of consultation .... assumes that:
>
> 1. The consultation relationship is a voluntary relationship between
>
> 2. a professional helper (consultant) and help-needing system (client)
>
> 3. in which the consultant is attempting to give help to the client in the solving of some current or potential problem,
>
> 4. and the relationship is perceived as temporary by both parties.
>
> 5. Also, the consultant is an 'outsider', i.e., is not a part of any hierarchical power system in which the client is located.

In this definition, the consultant is described as an 'outsider'. Although this study is related to the role of external consultants, it should be noted that consultants can be both external and internal. The internal consultant is "a helper (professional or non-professional) who is considered a member of the client system or a closely

related system" and the external consult is "a helper who has minimal or no organisational/political relationships with the client system", Swartz (1975, p. 258). Figure 5.1 shows the "situational differences of internal and external consultants" reported by Swartz.

'The help needing system' or 'the client' is also referred to by Blake and Mouton (1976), as the "units of change". They distinguish five levels of the change units: individual, group, intergroup, organisation and larger social system. For the purposes of this study, the 'organisation' will be considered as the 'unit of change' or 'client'. Therefore, the consultant is the one who intervenes, and the client is the organisation receiving the intervention. The focal issue is the problem under intervention, that is, the problem to be solved. The client enters into the relationship wishing to improve one or several aspects of the organisation, and the consultant is offering his help and hoping to improve one or several aspects of the client system.

Another definition of the 'helping' relationship is given by Rogers (1961, pp. 39-40) as one in which:

> at least one of the parties has the intent of promoting the growth, development, maturity, improved functioning, improved coping with life of the other.

Figure 5.1 Situational differences of internal and external consultants

Internal Consultant	External Consultant
(1) As part of the system, usually knows the language and background of the problem.	(1) Usually has more "influence" with client system.
(2) As part of the system, may be a part of the problem.	(2) Usually has more varied experiences; broader perspective.
(3) Usually will give more time to the client because of availability and costs.	(3) Usually more objective about the client and the problem—he's independent of the client power structure.
(4) Sometimes encounters resistance because of vested interests and organisational politics.	(4) Pay and continued use are usually tied to results.
(5) Sub-system tends to tell the IC that things are "o.k."	(5) Is usually aware of other resources that might be helpful to client.
(6) Usually knows the norms and political realities better than someone from outside.	(6) Client tends to be more open with the external consultant about needing help.
(7) An internal consultant is not seen as a "prophet" in his own organisation. May lack a power base.	(7) Free to leave the situation when consultation is complete.
(8) Internal consultant knows more about potential "linkage" with other parts of system.	(8) Client usually has high expectations that may verge on inappropriate dependency.
(9) Usually identifies with the system's needs/pains/aspirations.	(9) Free to reject the consulting assignment.
(10) A "known quantity".	(10) In a position to introduce "new" things into the client system.
(11) May lack perspective.	
(12) May not have required special knowledge or skill.	
(13) May have to live down past failure or affiliations.	

(Source: Swartz, 1975)

Greiner and Metzger (1983) define the consultancy relationship thus:

> Management consulting is an advisory service contracted for and provided to organisations by specially trained and qualified persons who assist, in an objective and independent manner, the client organisation to identify management problems, analyse such problems, recommend solutions to these problems and help, when requested, in the implementation of solutions.

Individuals and/or organisations tend to adopt a certain mode of behaviour within a certain context which then becomes reinforced over time. Blake and Mouton (1976) refer to this as the "cyclical nature of behaviour" and believe that it happens when "a sequence of behaviour repeats its main features, within specific time periods or within specifiable settings". Although the stability of behaviour can be desirable in certain circumstances, it may prove the opposite in others. It is necessary for an organisation to be able to free itself from any adopted behaviour which proves to be harmful, but in many situations, organisations are not capable of recognising the harmful nature of the adopted behaviour, nor are there clear indicators to reveal it. The clear vision and objectivity of an outsider is sometimes needed to identify harmful behaviour and help the organisation to eliminate it. This is where the role of a

consultant can help. Blake and Mouton, (1976, p. 3) make the following observations:

> Cyclical behaviour can become so habitual as to be beyond the conscious or 'self' control of the person, group, organisation, or community whose performance it characterizes. As long as this repetition stays within certain situational bounds, it can be advantageous. For example, many such cycles help to free intellectual and emotional resources for concentration on less programmable aspects of behaviour. Outside these bounds however, an unreviewed behaviour cycle can be harmful, even dangerous. ...... The consultant's function, therefore, is to help a person, a group, an organisation, or a larger social system identify and break out of these damaging kinds of cycle.

An external expert can play an important role in that he is better able to understand threatening problems than are those within an organisation. In general, those nearest to the problem cease to recognise it (Feeney, 1972).

5.3 PRESCRIPTIVE INTERVENTION

The concept of prescriptive intervention relates to the physician-patient relationship, and the approach to a company taken by a consultant is similar to that of a

physician to a patient. Black and Mouton (1976, p. 374) define it as:

> Prescription is an intervention strategy in which the consultant explicitly tells the client what to do to solve his or her problem. Collaboration between consultant and client is based on the assumptions inherent in the authority-obedience model: the consultant exercises authority and the client is expected to comply with the recommendations given.

The prescriptive consultant depends on his acquired skills from a body of knowledge and/or from his previous experiences in the field. Based on this expertise and knowledge, he considers himself sufficiently expert to recognise the client's needs. The assumption is that the client does not have the necessary knowledge or objectivity to identify his problems and as such is unable to take any corrective action. In these circumstances the prescriptive consultant not only indicates what the problems and real needs are but also defines the specific actions to be taken if the client wishes to have them resolved.

In the prescriptive approach, the consultant collects information through interviews and questionnaires and by using other sources of information which are recruited to help him in his diagnosis of the problem. Once he has satisfied himself that the real problem has been identified, he prescribes the solution and offers it to the client. The

identification and solving of the problem are both achieved by the consultant.

The use of the prescriptive approach is most common when a client has lost confidence, to the extent that due to a lack of insight or technical capability the client is unable to address a problem or solve it, and also when there is a crisis. Blake and Mouton (1976, pp. 297-298) describe the suitability of the prescriptive approach in consultancy in the following terms:

> The prescriptive mode of intervention is found to be particularly effective when the client has reached 'the end of his rope' and, though action is imperative, is unable to select from the options available to him the one best suited to solving the problem at hand. This inability may be due to emotional turmoil, or to having reached a helpless impasse, or to the client's deep ignorance of the variables operating in his situation. Under any of these circumstances, the client's dependency has reached a sufficient degree to result in his being ready to trust and be governed by the consultant's expertness. Yet because the consultant provides his or her client with a ready-made solution, the client may not gain enough competence to solve the same kind of problem in the future or related problems as they arise unexpectedly.

The assumption that the prescriptive consultant is an expert and that as such the client is ready to accept all the consultant's recommendations creates a number of problems. The fact that the consultant may have correctly identified the problems and decided on the best solutions does not imply that the client is ready to accept and implement the proposed ideas. Therefore, the prescriptive consultant will tend to refer his recommendations to the top management of an organisation, whose position of power will, he hopes, assure their implementation. Nevertheless, the resistance of other members of the organisation must be envisaged as a real possibility.

Other problems associated with the prescribed ideas are:

- The client may resist the plan.

- Dictated changes, no matter how relevant and important, tend to be resisted.

- Those individuals who see a reduction in their power as a result of the implementation of the recommended actions, will resist the change.

- The suggested changes may be resisted on the basis of the existing beliefs and values in the organisation.

- There is minimal interest in educating the organisation to learn and understand the changes. In this situation there is little possibility of their acceptance or of getting to

the point of doing the job in the future without external intervention.

An undesireable outcome of a consultancy process can be a strong dependability of the client on the expert, with the following consequences:

- Increased dependency will impede the client's ability to develop capacities to diagnose and solve problems.

- Transferring the solution of all problems to the consultant as an expert may lead to unsuitable solutions. All the information and knowledge that the client himself has about a problem is not used as an input to its solution. Thus the ideas offered by the expert without considering the valuable input of the client, cannot be regarded as balanced.

The problems and shortcomings of the prescriptive approach have been summarised by Jacques (1961, pp. 163-164):

> The very nature of the therapeutic role, however, often makes real collaboration difficult. The situation is often encountered where the social scientist is called in and given a complete mandate to "set things right." Too frequently, such a mandate may represent an unconscious defeatist attitude on the part of the group concerned, with an underlying and understandable desire to evade, if possible, the responsibility for facing up to a complex and

unpleasant situation. Because the solution of the problem may seem relatively simple there is a great temptation for the social scientist to jump in and take the responsibility "just for a short time." Having taken full responsibility on his shoulders, however, he will to a greater or lesser degree have precluded the possibility of the group itself developing new roles which would allow them to cope with their own problems by themselves. Thus, although he may clear up the problem, any thanks he receives may be given rather grudgingly, for he will presumably have exposed the inadequacies of the persons concerned without helping them towards new insights and self-reliance. Under these conditions further work is unlikely, and the project may suddenly come to a halt. On the other hand, he may fail with the task, in which case he will likely be left with the blame on his own shoulders for all the previous mistakes and results of mismanagement, and ill effects of which may be displaced and projected in his direction.

Clients often resist prescriptions. The occurrence of resistance indicates either the failure of the consultant to identify the problem and give sound recommendations or an inability to encourage the client to adapt to change.

In some situations, the consultant in the prescriptive approach finds it necessary to fight the client and impose his own will (Caplan, 1970).

The success of any approach in consulting resides not only in its immediate effect in solving the problem, but also in its ability to prepare the client to continue with the improvements introduced. This 'on-going' element is a much neglected objective in the prescriptive approach to consultancy (Black and Mouton, 1976, p. 375):

> The success of a prescriptive intervention is dependent not only on the degree to which the client is helped to solve the immediate problem, but also on the client's ability to incorporate and self-maintain the pertinent improvements introduced during the period of consultation. .... He (the client) is not learning how to solve the problems; he is only acting under problem-solving instructions. He may become even less sure of himself than before. ... The "cure" could, over the long term, be more damaging than the symptoms or illness it was intended to correct.

Although a number of shortcomings and problems are associated with the prescriptive approach to consultancy, the issue requires clarification. It is difficult to have a systematic approach among individuals within a consulting organisation of any significant size, without a prescriptive system. In this context, two ways of looking at prescription as an approach to consultancy can be identified. One is prescription as a shared prescriptive system, which a consultant or expert follows in order to do a comprehensive job for the client system. In this sense, prescription works

as a handbook or a check list. The other is prescription as a method of intervention, where the external agent prescribes to the client the actions to be taken. While prescription as a shared prescriptive system can be quite useful, as a method of intervention it has little effect in producing change in organisations.

Consultants occasionally have used prescription as a method of intervention, for consulting organisations. As a learning device, however, this approach generally speaking has little to offer.

5.4 LEARNING AND CONSULTANCY

The issues at work in consultancy are associated with both the content and the process. The issues of content are related to the problem itself, and the process issues are related to the way the problems are tackled. The traditional attitude of the prescriptive approach is essentially content-orientated. Consultants or experts are called in to solve a specific problem or resolve a crisis. To solve a problem, the consultant collects data and prescribes a solution which is offered to the client. This type of consultancy does not involve change and is basically a static relationship, concerned with the stated problem and its solution with no long-term relationship. Such interventions rarely achieve lasting change.

The prescriptive notion of the role of the consultant has now given way to a more process-orientated approach (Schein, 1969), with consultants now in the role of 'facilitators'. A process-orientated consultancy involves a dynamic relationship with the organisation and is concerned with change and development. The objective of the consultant is to help the client to improve understanding and increase competence for on-going change and development. There is a longer-term "process" conception of change (Argyris, 1970).

Process orientated consultants are more concerned with helping clients and client's systems, and helping clients to learn from their own experiences, which can be used for the growth of the organisation.

The objective of the consultancy process, as viewed by behavioural science theorists, should be the enhancement of the future capabilities of the client firm.

The real impact of consultancy on an organisation is achieved when it "is aimed at some improvements in the future functioning of the client system. ...the total impact of consultation is greater if it is cumulative, due to improved process or structure, than if it is specific to only one task at one time", (Steele 1975). He explains further (p. 193):

>   The major goal of a behaviourally-orientated consultant should be to facilitate the development of

better self-corrective processes in the client system. This type of change will have a much greater cumulative effect over the long term than will any specific structural change.

Helping relationships can take many different forms and involve quite different tasks. Kolb and Boyatzis (1970) believe that in spite of the variety of the tasks, it is possible to classify them all along one dimension, namely "the extent to which it is required that the receiver of help be capable of accomplishing the task independently when the helper is no longer present." At one end of this dimension is 'assistance' and at the other is 'education'. In 'assistance', there is no concern for improving the client's capability to perform the task independently in future instances. The solution of a particular problem is a major issue and the degree of dependency of the client is high. In 'education', the main objective is to increase the client's capability to solve similar problems when they occur, and resolution of the immediate problem comes secondary to the the enhancement of the client's problem-solving capacity.

To foster the learning process, integration of 'planners' and 'doers' has been suggested. Participation in planning by those who will carry out the plans has been strongly emphasised (Bass, 1970). Bass and Leavitt (1963) demonstrated that the involvement of 'doers' in planning has an important impact on both productivity and satisfaction.

Harrison (1970) considers the depth dimension as central to the conceptualisation of intervention strategies. He believes that intervention strategies should vary from situation to situation and they should relate to distinct organisational change requirements. In his view, one factor that influences different approaches to change strategies is related to the depth of intervention. Different intervention strategies use varying levels of depth in their interventions: the depth of intervention is least in the case of 'operations research' or 'operation analysis' and is greatest in 'intrapersonal analysis.' The depth of intervention has a number of side effects:

The less the depth of intervention, the easier it is for the change agent to communicate the methods of intervention. This permits the client to learn something from the expert's skills to increase his understanding and competencies. With improved ability, it is easier for the client to relinquish dependence on the change agent. At the other end of the scale, deeper intervention of the change agent results in little learning on the part of the client, dependence on the change agent is quite high, and withdrawal of the consultant may signal the end of the change process.

Another effect of the change process is its transference to other members of the organisation who are not initially and directly involved. At interventions of little depth, the outcome will be in the form of procedures, policies or a plan which is communicated to other individuals and

therefore is likely to have a more lasting effect on the organisation. Intervention in great depth is more appropriate for securing change in the 'inner life' of the individual. The permanence of effect is very enduring if the intervention is successful.

The need to gather information tends to increase with the depth of intervention. The greater the depth, the less availeable is the required information for an effective intervention, which requires more time and thus increases cost.

The depth of intervention also affects the "predictability of outcomes". The deeper the intervention, the less predictable are the results. Harrison (1970, p. 201) offers the following guidelines regarding degrees of intervention:

> First, to intervene at a level no deeper than that required to produce enduring solutions to the problems at hand; and second, to intervene at a level no deeper than that at which the energy and resources of the client can be committed to problem solving and to change.

Another factor in consulting concerns the issues that attract more attention from consultants, in the early stages of their intervention for organisational development. Tichy (1975) found a relationship between the change agent's diagnostic categories and the subsequent interventions in

producing change. The issues considered to be most critical at the diagnostic levels were also the factors that were acted upon most frequently to create change in the organisation. Tichy and Nisberg (1976) argue that to create change in the organisation, the change agent is likely to concentrate on those issues that were perceived as important at the level of diagnosis. Hornstein and Tichy, (1973) developed a model for change strategies called "The Emergent Pragmatic Theory of Change". It is based on the assumption that all people have "implicit theories or models of organisations." They argue that these models establish the rationale for the organisational behaviour and understanding and also affect and restrict the individual's view of organisational change.

One criticism of organisational development is that it is not concerned with performance and productivity. A study by Tichy and Nisberg (1976) revealed that the consultants in the sample were little concerned with obtaining data on performance variables. But the study also identified that the more successful consultants, labelled as 'stars', were much more concerned with performance variables, in comparison with less successful ones labelled as 'lesser knowns'.

Although client learning is the foremost objective of process consultancy, an important consideration is the inappropriate use of learning. Steele (1972) labelled as "overlearning" the situation where a client learns a

concept, skill or a technique and then applies it where it is not appropriate. He cites several such cases as:

- The use of external skills for internal needs. The client does not distinguish the difference between internal and external consultancy and applies what is appropriate for an external situation to an internal case, so that "the difficulties are caused not by simple incompetence, but by misplaced competence."

- Distortions occurring in the process of application of strategies. In this example the skills and techniques are appropriate both for internal and external cases, provided that they are applied properly. The phenomenon of overlearning, then, is due to "inappropriate transfer of learning to the wrong problems."

- Excessive application of learning without consideration of other related factors is another area of overlearning which Steele calls "trained blind areas". In this case there is in-depth learning by the individual client, which he over-emphasises, without taking other equally-important views into consideration.

- Finally, inapplicability of learning due to change of conditions. This aspect of overlearning occurs when a solution which was very effective in one situation is used later, in a changed condition, without being tested for its validity. It also happens when a solution is abandoned permanently merely because it did not work well when it was used. In this particular study, Steele (1968), found

that not only did people not test for the validity of the application of their learning to new situations, but they were also unaware of the context and conditions of the first application.

As Steele (1975, p. 59) argues, there is a need for "avoiding both underlearning, which has traditionally been accepted as evil, and overlearning, which has generally been either overlooked or praised as consistency". The overlearning problem is characteristic of those organisations that desire permanent solutions for changing problems. In these circumstances he suggests a change process in two stages: "unlearning old solutions and then developing more appropriate ones".

To avoid 'overlearning' in any application of knowledge, therefore, two important factors need to be considered: generalisation and application to different situations. Argyris (1964) proposed that organisations should apply different structures for different classes of decisions.

'Client learning' is one of the most important aims of "process orientated" consultancy. Learning outcomes, however, are much related to the client's expectations and to the degree that such expectations are acknowledged by the consultant. Steele (1975) lists the expectations that a client has of himself:

- Self-esteem based expectation. The client expects to possess a number of characteristics in order to be acceptable to himself. This expectation can enhance his efforts towards change and improvement. It also can have a negative effect: he may not use the occasion for learning, being concerned with the fact that he might expose his ignorance. Thus it is the consultant's task to help the client overcome this problem.

- Increase in power. As mentioned in the prescriptive approach, clients expect to increase or maintain their power. This expectation can be a deterrent to change if the client feels that he will lose power as a result of intervention.

Consideration of the client's power relationships is a major issue in consultancy, whether prescriptive or process consultancy. A consultant has to realise these expectations and understand that the system has power over a consultant who is trying to introduce change in the organisation. As reported by Marrow (1974), lack of consideration of this issue can cause a total rejection of change. When changes are forced, even for the best of intentions, they are readily resisted by the organisation. The objective of consultancy should be then to influence the process of learning within the organisation. Otherwise, there will be a volatile effect on the firm as a result of consultancy, with no impact of a positive nature on the future activities of

the organisation. The issue of learning is emphasised by Steele (1975, p. 200 and p. 141) in the following terms:

> There should be an emphasis on client learning, as opposed to coercion of the client to adopt prescribed 'right' attitudes and feelings.

> Just telling a client system where it ought to go because of a theory which one has about how organisations ought to operate is not really enough. The consultant must be able to present a good case for where the organisation is, what the consequences of its present position are, and some of the major factors which keep it in that particular position. He should also strive to build within the client system the capacity and inclination to continually collect evidence of what is going on so they can make cases to themselves.

On some occasions, dissatisfaction and rejection of the consultant may not mean that the process did not have an effect on the organisation or produce any change altogether. The process may have induced firms to examine themselves very carefully despite their rejection of the consultant. In this situation the consultant has a 'ritual pig' function (Steele, 1975).

5.5 PHASES IN CONSULTING

In any consultancy process, a number of phases or tasks can be identified. Different authors identify more or less the same stages. Tranfield and Smith (1979) define three major tasks in consultancy: "getting in, doing work and getting out." The "getting in" stage consists of establishing the initial contact, gaining entry and contracting. The "doing work" task consists of diagnosis, action planning and implementation, and finally the "getting out" stage is related to the evaluation of the intervention followed by withdrawal. Aubrey (1990) suggests a five-stage model: entry, diagnosis, action planning, implementation and termination. The following phases of consultant-client working relationship have been indicated by Lippitt and Lippitt (1986 p. 11):

1. Engaging in initial contact and entry;

2. Formulating a contract and establishing a helping relationship;

3. Identifying problems through diagnostic analysis;

4. Setting goals and planning for action;

5. Taking action and cycling feedback; and

6. Completing the contract (continuity, support, and termination).

Each of the stages or phases of consultancy will be discussed briefly.

5.5.1 ENGAGING IN INITIAL CONTACT AND ENTRY

This stage covers a number of issues. The initial contact in a consultancy relationship may originate from one of three sources: the client, the consultant or a third party. The importance of this stage lies in the fact that it involves the formation of the consultancy relationship and can affect all subsequent interactions. During this stage, the consultant should explore what the real problem is insofar as it might differ from what the client perceives to be the problem). By the end of this phase, the consultant should have developed an initial understanding of the client and his organisation. He must also have a fair idea of the focal issue or problem that will be the object of treatment.

5.5.2   FORMULATING A CONTRACT AND ESTABLISHING A HELPING RELATIONSHIP

Before any real work starts, the two parties, the client and consultant, need to agree on a number of issues. During the first phase, they have already agreed, at least tentatively, on the existence of a problem and the need for change. It is now necessary to decide on the nature of work to be done and the likely results to be accomplished, if a helping relationship is established. There should also be an agreement on the goals, the resources to be used, the cost and the time scale of the activity. This stage is an important phase of the consultancy relationship, during which the client evaluates the consultant's competence and the consultant tries to demonstrate his competence and value

to the client. Although it may seem merely a stage in formulating a business contract, in fact it encompasses a more important phase of "psychological contract." (Tranfield and Smith, 1979).

At this stage the client must have a clear idea of the time and effort that the consultant will put into his work, and the kind of results and output expected to be produced by the expert.

The consultant will also ensure that the client is made aware of the kind of assistance to be provided by the client, and with whom in the organisation the consultant will expect to collaborate.

An important issue at this stage is for the consultant to verify the client's readiness to change. It is not enough simply to be able to diagnose the problem affecting the system correctly, or provide firms with logical solutions. A consultant may be unable to effect any change if there is not a desire and commitment to change in the client system. Clearly the issue of readiness is a thorny one, but such a difficulty should not prevent an external expert from addressing it.

The end of the contracting stage indicates that the two parties, client and consultant, have mutually agreed on the problem itself, and both are committed to solving it. The joint understanding of the problem, and determination in its

resolution should be the major objective at this stage. Lippitt and Lippitt (1986) believe that although an internal expert may be more aware of the needs and resources of the organisation, an external expert is probably capable of provoking a broader outlook and helping a firm to achieve higher objectives.

5.5.3 IDENTIFYING PROBLEMS THROUGH DIAGNOSTIC ANALYSIS

The next stage is diagnosis. Although a preliminary diagnosis needed to be done in the previous stage, it is now necessary for the consultant to get involved in a thorough diagnosis in order to prepare a plan and define the necessary actions required for its implementation.

At this stage it is necessary to understand which forces at work in the organisation support, and which block, the achievement of the current or projected goals. Spier (1973) based on Kurt Lewin's 'Force Field Analysis' developed a force-field diagnosis model. This model helps to identify the factors that are helping towards achievement of the goals, and those prohibiting the realization of them. This method of analysis, as suggested by Lippitt and Lippitt (1986), can be used in any of the following situations: when considering the current goals, when proposing the projected goals and when suggesting the steps to be taken in order to achieve proposed goals. By so doing, the consultant can understand what factors will impede the realization of certain objectives, and gains plenty of data for planning

effectively (Figure 5.2). The 'driving forces' and the 'restraining forces' may have a psychological origin, due to established norms, or they may be dictated by the environment. By realising what they are and how they originated, it is possible to plan effectively.

Although the internal expert is more aware of what kind of diagnostic data are available in the organisation and is in a better position to solicit collection of the appropriate data, the external consultant also requires new and unexplored data and will often use new techniques.

5.5.4   SETTING GOALS AND PLANNING FOR ACTION

A thorough diagnosis at the previous stage prepares the way for the establishment of appropriate goals and the preparation of an action plan. At this stage, two objectives must be achieved: the establishment of meaningful goals and objectives, and the steps to be taken to attain them.

The diagnosis stage identifies where the organisation currently stands and what the operating problems are. The next stage is to cause the client to look ahead. Lippitt and Lippitt (1986, p. 26) talking from the consultant's point of view explain the task at this stage as:

Figure 5.2   The force-field analysis model

"Open,"
High-Sharing Climate

Restraining Forces

Amount of Openness in the System

Level of the
Present
Interpersonal
Climate

a'   b'   c'   d'   e'   f'

a   b   c   d   e   f

Driving Forces

"Closed,"
Low-Risk Climate
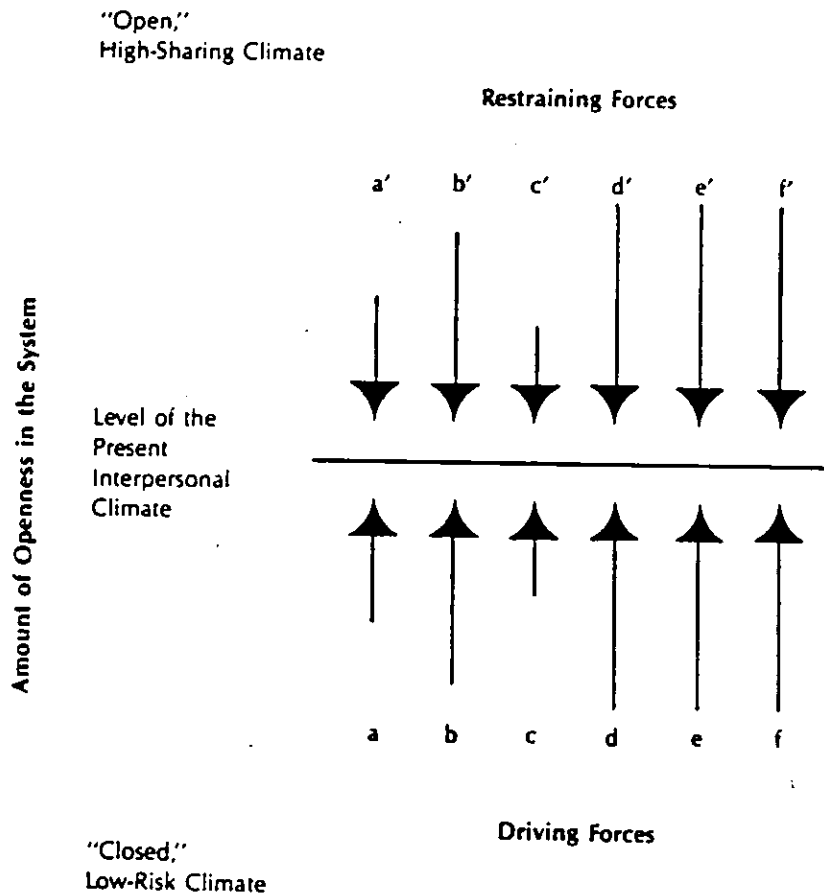
(Adapted from M. S. Spier, "Kurt Lewin's 'Force Field Analysis.'" in J. E. Jones and J.W. Pfeiffer (Eds.), The 1973 Annual Handbook for Group Facilitators. La Jolla, Calif.: University Associates, 1973.

(Source: Lippitt and Lippitt, 1986)

Typically, when we arrive at this stage, looking ahead is aided by surveys of what is wanted and needed by those we serve, the pains and the problems we are experiencing, the prediction of what things are going to be like, and our own values - what we would most like to see develop from possible alternatives for the future. To set meaningful goals, both the consultant and the client must have a clear idea of a preferred and feasible future.

At this stage alternatives should be explored and the consequences of each action estimated. Care should also be taken to include in the plan, mechanisms that permit the feedback of results.

The plan of action comprises the defining of clear steps for the attainment of the goals. This should be done in such a way that their successful completion gives clear signals to the group implementing them that they are on the right track. In this way the group is motivated to continue with the implementation of the plan.

5.5.5 TAKING ACTION AND CYCLING FEEDBACK

Once the goals are defined and the actions to be taken to achieve the goals are identified, the implementation stage starts. It is important for the consultant to verify if the skills to implement the plan exist in the organisation, and if not, to develop them. Failure to consider this will

greatly reduce the possibility of implementing the plan. It should be also possible to identify the effect of each step and the consequent change, even if small. The sense of realisation and successful completion of each step brings the needed motivation to persevere with the plan. Evaluation of the effects of each incremental step also permits the introduction of adjustments where necessary. Assessment and evaluation of the plan can be seen as a new and stimulating diagnosis in many circumstances and can constitute the basis for additional planning activities further in future. Sometimes it is necessary for the consultant to coordinate different activities.

5.5.6 CONTRACT COMPLETION: CONTINUITY, SUPPORT AND TERMINATION.

The last phase of the consultancy process is the consultant's withdrawal from the client system, at which stage care must be taken to ensure that the change process will continue after the consultant's departure. The success of the consultancy process is much related to its successful termination, and this implies the efficient continuation of the change process by the client, independent of the consultant. It is also necessary for the external agent to plan a programme of support and control once he has left the system. Lippitt and Lippitt (1986, p. 34) explain the plan for terminating a consultancy as follows:

A professional responsibility and goal of most consultants is to become progressively unnecessary.

Consultants design for this in various ways, including:

Training an insider to take over the functions initiated by the consultant;

Setting a series of dates for decreasing the budget and the involvement of the consultant;

Having a termination celebration for the final product of a collaborative effort, such as a publication; and

Establishing a minimal periodic maintenance plan, such as an annual review session.

Any long-term and continuous change in client system requires a full consideration of this stage. Failure to properly address this phase of consultancy will produce only temporary and short term changes in an organisation.

5.6 SUMMARY

As the objective of this study is to look at the impact of marketing consultancy, it is necessary to review the issue of consultancy and the role of external expert in some detail. Therefore, in this chapter a number of issues related to this topic were reviewed.

It was argued that consultants can help firms to understand and cope with environmental changes. The role of consultancy as a "transitional object" was looked at and its importance

discussed. Reasons for a firm to contact a consultant were reviewed and the consultancy relationship defined. The situational differences of internal and external consultants were listed.

Prescriptive intervention was described and its problems and shortcomings explained. It was argued that the traditional attitude (prescriptive intervention) towards the role of the consultant has now changed and a more process-orientated consultancy is taking place. The objective of the consultant is to help the client improve understanding and competence for on-going change and development. There is a longer-term "process" conception of change and an interest in the enhancement of the future capabilities of the client firm.

It was also argued that there is a relationship between the depth of intervention and the need to gather information which tends to increase with the depth.

Finally the phases of the consulting process was reviewed and the functioning and importance of each phase explained.

CHAPTER SIX   THE RELATIONSHIP OF THE SUPPORT FOR MARKETING SCHEME WITH THE REVIEWED LITERATURE.

The SFM scheme provides a company with a marketing consultant who is commissioned to prepare a strategic marketing plan. In the previous chapters the literature relating to strategic planning, planning process and consultancy issues was reviewed. The object of this chapter is to observe the relationship between the SFM scheme and what is being advocated in the literature.

6.1 THE SUPPORT FOR MARKETING SCHEME AND THE APPROACHES TO STRATEGIC PLANNING

In Chapter Two the approaches to strategic planning were discussed. It is necessary now to discuss the relationship of the Support for Marketing scheme with these approaches or models.

In theory, the intervention of the Support for Marketing scheme can be seen as a rational analytic approach. The consultant (the external expert) assigned to the firm is responsible for the development of a strategic marketing plan. One outcome of the exercise is the report or plan prepared for the firm by the consultant. To produce the plan, generally speaking the 'expert' will use the prescribed methodology. If the plan is the only output, then the only way to evaluate the impact of the scheme would be to assess the degree of implementation of the plan, but in practice, more is involved. The process of planning in itself has a strong impact on the firm. Two levels of interaction take place: one is related to that between the senior industrialist and the firm, and the other to that between the consultant and the firm. It is necessary to look at these processes of interaction and draw parallels with the "client-system" approach. To do so, frequent references will be made to Archibald (1970) who describes clearly the client-system approach and indicates where it differs from others.

As previously mentioned (Chapter One), the client firm is briefed on how to manage the consultant. Once the client is furnished with this information, the consultant has to work with the client firm to agree on the terms of reference. This process of mutual agreement falls very clearly into the "client-system" approach (p. 82):

> Analysts need to pay attention to the feasibility of a policy alternative at operating levels as well as to its acceptability at decision-making levels.

The consultant, in close relationship with the client, will then produce a plan. This conforms exactly with the approach taken in the client-system approach (p. 79):

> His (the expert's) objective is to enter into a collaborative relationship with a 'client-system' and produce 'planned-change' in that client-system.

It is essential that once a report or plan is prepared, it is acceptable to the client. Failure to gain acceptance means it is unlikely to be implemented. Given approval of the plan, it is likely to have the effect claimed in the client-system approach (p. 82):

> The clinical approach would add to current interests in potential effectiveness and political feasibility (Quade and Boucher, 1968), a focus on organisational change which would facilitate the use of analysis and

increase in the likelihood of programs being executed in a manner consistent with their purposes.

Thus the main and real effect can be seen as an increase in the level of comprehension by the client firm. The argument that the   planning process has an important effect on learning how to plan has been also advocated by Michael (1973). In discussing the topic of long-range social planning, which he believed is also applicable to corporations, he commented (p. 16):

> Long-range social planning (lrsp) is a societal process for learning how to do long-range social planning.

The interaction of client with consultant and the client's involvement in the planning process thus constitute a learning experience for "learning how to do planning". The client firms will be capable of understanding their problems, and will be able to use the experts (internal or external) as necessary to solve them. As Drucker (1954) pointed out, "the most common source of mistakes in management decisions is the emphasis on finding the right answer rather than the right question". If the experience helps firms to understand the true nature of their problems, then solving them will be easier, in the same way that a physician needs first to diagnose a patient's condition in order to prescribe an effective remedy. The client firms will learn when to use the experts and how to use them more

effectively. This process then will improve the firm's performance (Archibald, 1970 p. 81):

> The strength of the clinical approach lies in its understanding of the dynamics of organisational change; its promise, in its quest to improve the functioning of organisations.

Archibald (1970) argued that the effectiveness of approaches would be strengthened if they were linked with one another. The possibility of interaction and integration is more feasible when the clinical and rational analytic approaches are taken together.

What is happening in the case of the SFM scheme is the interaction of the three approaches, and in particular the clinical and rational analytic approaches. Most of the firms already were in an "adaptive mode" or "entrepreneurial mode" of management (Mintzberg, 1973) which falls into the category of the political behavioural approach. With the use of the Support for Marketing scheme, and particularly the way it functions, the other two approaches are implemented. As mentioned before (Chapter One), the process used by the scheme to allocate a consultant to the firm is such that unless the analyst (expert) takes a clinical view towards his client, there is little chance of the client utilising the services of a consultant, or implementing the recommendations contained in the marketing plan.

Relating the approach adopted by the Support for Marketing scheme to the breadth of planning (discussed in section 2.4), it is evident that the scheme considers the strategic issue as general, that is, contemplating the whole business, and the planning process as unique or ad-hoc (Table 6.1).

The unique nature of the process is established by the fact that the consultant is engaged for one single job. The generic nature of strategic issues is apparent from the instructions given by the scheme to the consultant in the "subject brief for consultant", in which one of the items is:

> To prepare an overall marketing strategy which ....
> (An internal document of the
> Support for Marketing Scheme).

Ideally the scheme hopes that the planning process will be a routine activity for the firm which will then regularly develop a plan, using internal or external resources.

Before the intervention of the scheme, most firms were in the second column of the matrix (see Table 6.1). They did not have a strategic plan and their routine plans, where they existed, were mere forecasts. This exercise has taken the firms to the first column of the matrix, hoping ideally to place them in cell (i), where marketing planning will be a routine activity.

Table 6.1 Breadth of planning and the Support for Marketing
          scheme

	NATURE OF PLANNING	
	GENERAL	FOCUSED
FREQUENCY OF PLANNING		
ROUTINE	MARKETING PLAN (I)	CAPITAL BUDGETING (II)
AD-HOC	EXTERNAL/INTERNAL CONSULTANTS' REPORT (III)	STUDY GROUP (IV)

(Adapted from Weitz and Wensley, 1988)

6.2 EVALUATING THE EFFECTIVENESS OF THE SUPPORT FOR MARKETING SCHEME

In Chapter Three the general approaches to defining effectiveness in planning were reviewed. Although these approaches could be used for the Support for Marketing scheme, nevertheless their use would present some of the problems discussed earlier. One possible way is to see how much of the plan has been implemented. A major problem in planning has always been its implementation and many reasons have been given for not carrying it through. Feasibility of implementation is considered to be one reason (Archibald, 1970). Recommendations that are seen as not feasible are not implemented. Implementation is greatly related to acceptability, which depends on the attitude of the expert towards the client. As Archibald (1970) argued, it is useless for the expert to say to the client "I told you so" or to claim "But they didn't do it right" when the expert's recommendations are rejected or not implemented. There is no value to a plan if it is not accepted. As the clinical approach suggests, the expert's role counts for nothing if the client-system does not accept the proposed changes. The job of the expert is to overcome the resistance of the organisation, as suggested by Archibald (1970 p. 79):

> If the client-system does not accept the changes recommended, the clinical expert tends to assume he didn't do a good enough job in getting the system over its resistances or that he couldn't do a good enough

job because of structural constraints imposed on the organisation.

The effectiveness of the marketing planning provided by the Support for Marketing scheme could be measured through an alternative approach: to see how effective the process was in overcoming the internal resistance towards planning in the firm and how helpful it was in fostering the value of planning to the firms. Archibald (1970) argued that the underlying ideal of the clinical approach is the "turned-on" group. If the experience has left a "turned-on group" which is conscious of the benefits of planning and is enthusiastic enough to get the full benefit of it, then the marketing planning has been effective.

6.3 THE SFM SCHEME AND STRATEGIC MARKETING PLANNING

The objective of the SFM scheme in providing firms with a strategic marketing plan is the wider use and practice of marketing planning within companies. It is assumed that this will contribute to better performance of small/medium sized firms (Chapter One). This objective is consistent with the claimed benefits of strategic marketing planning, in the literature (Chapter Four).

In Chapter Four the elements of a marketing plan and the steps or stages involved in its preparation, as suggested by the literature, were reviewed. It is useful to see how the

methodology adopted by the SFM scheme is related to that suggested in the literature.

To prepare the strategic marketing plan, the individual consultant is free to choose any approach or methodology. As mentioned in Chapter One, the SFM scheme uses an internal evaluation system to appraise the marketing plan prepared by the external expert. Although there are no set rules imposed by the SFM scheme on consultants, nevertheless they are expected to have addressed the following issues in their final marketing plan document (Appendix 1.4):

Appraisal of historic/current sales performance.

Identification of principal competitors

Identification of decision-makers in target markets

Market overview

SWOT analysis

External survey

Strategic option analysis

Action plan

A comparison of the issues the SFM scheme expects to be covered in the marketing plan document, and the marketing planning process suggested by Hopkins (1981) or McDonald (1989), shows many similarities (see Chapter Four). Thus the evaluation procedure adopted in practice by the SFM scheme for the appraisal of a strategic marketing plan conforms to the general approach in marketing planning.

6.4 THE SUPPORT FOR MARKETING SCHEME AND THE PHASES INVOLVED IN CONSULTANCY

In Chapter Five, the phases of a consultancy process, as suggested by the literature, were discussed. Comparison of these phases and the process of selection and assignment of a consultant within the SFM scheme, shows similarities between the two processes.

The first step in the consultancy process is 'engaging in the initial contact and entry'. Contact between client and consultant can be initiated by either side or by a third party. In the case of the SFM scheme the same process takes place. After a company has been accepted for the project, a consultant is allocated, chosen either by the firm or the SFM scheme (Chapter One). The second step in consultancy is 'formulating a contract and establishing a helping relationship'. Agreement on the terms of reference is related to this stage. Once the terms of reference are evaluated by the SFM scheme, the consultant is commissioned to prepare the strategic marketing plan.

6.5 SUMMARY

In this chapter the relationship of the SFM scheme to the literature was reviewed. In theory, the intervention of the Support for Marketing scheme can be seen as a rational analytic approach. In this view the outcome of the exercise is the plan document. If the plan is the only output, then the only way to evaluate the impact of the scheme is to

assess the degree of implementation of the recommendations contained in the plan.

It is argued that this is a limited view and in practice more is involved. The process of planning in itself has a strong impact on the firm, and the interaction of client with consultant, and the client's involvement in the planning process, constitute a learning experience for "learning how to do planning". The process of interaction between the firm and the external experts is closely related to the "client-system" approach. In this view, the main and real effect can be seen as an increase in comprehension on the part of the client firm.

Relating the approach adopted by the Support for Marketing scheme to the breadth of planning, the scheme considers the strategic issue as general, that is, contemplating the whole business, and the planning process as unique or ad-hoc. Ideally the scheme hopes that the planning process will be a routine activity for the firm which will then regularly develop a plan, using internal or external resources.

The effectiveness of the marketing planning provided by the Support for Marketing scheme will be looked at from the point of view of deciding how effective the process has been in overcoming internal resistance towards planning and how helpful it has been in fostering the value of planning to firms.

A comparison of the issues which the SFM scheme expects the marketing plan document to cover, and the marketing planning process suggested by Hopkins (1981) or McDonald (1989), shows that they are quite similar. Thus the evaluation procedure adopted in practice by the SFM scheme for the appraisal of a strategic marketing plan conforms to the general approach in marketing planning

Finally, the relationship of the SFM scheme to the consultancy literature was reviewed. Comparison of the phases involved in a consultancy process, and the process of selection and allocation of a consultant within the SFM scheme, highlights similarities between the two.

CHAPTER SEVEN   THE RESEARCH METHODOLOGY

This chapter looks at the research methodology. The literature reviewed in chapters two to five and the field research, permit the development of a number of hypotheses. The objective of this chapter is to identify these hypotheses and to review the methodology adopted for this study. The respondent profile will be also analysed.

7.1 METHODOLOGY

The research was conducted in stages, as follows:

1. To explore the subject initially, a preliminary interview with the director of the SFM scheme at the University of Warwick took place. Then, a number of files consisting of the senior industrialist initial and final reports, the terms of reference and the consultant report were studied. The interview and study of the files helped familiarize the researcher with the scheme and its operation. Based on this study and interview a semi-structured questionnaire was prepared.

2. Using the semi-structured questionnaire, six in-depth interviews with managing directors of the firms were performed. The objective of these interviews was to ensure that all essential issues were being addressed. Firms wereü selected from different sectors of industry and were of varying sizes

3. In order to make an effective analysis of the scheme and to make sure that all important issues were being considered, it was also useful to solicit views of individuals not only from within firms using the scheme, but also the people actually involved in the SFM scheme itself. For this reason, additional interviews were conducted with the co-ordinator of the scheme at the University of Warwick.

Two meetings also took place with the resident senior industrialist at the University of Warwick.

4. The design of the questionnaire incorporated information gained in stages one to three above. Subsequently the questionnaire was tested on three other firms of varying sizes, from different sectors of industry.

5. The questionnaire was used for a survey on a larger scale. The final stage of information gathering involved sending the questionnaire to all those firms that had completed the project at that time, that is, all the firms that were already in possession of a consultant's report. A total of 248 firms qualified for inclusion in the survey, and each was thus sent a questionnaire.

The response rate was initially 30.6%, increasing, following a second letter, to 38.7% (total number of respondents was 96). Copies of the covering letters and questionnaire are exhibited in Appendices 7.1 and 7.2.

Firms were asked to respond to the letter even if they were not prepared to take part in the survey. In addition to the 38.7% completed questionnaires, more responses were received:

19 firms (20% of the sample) did not express an opinion.
1 firm (1% of the sample) expressed a negative attitude.
13 firms (14% of the sample) expressed a positive attitude.

Desk research was also conducted to obtain extra information, such as the number of years firms had been trading, the ownership of the company, whether the firm was private or public and its industrial classification. Through the desk research it was also possible to obtain the senior industrialist's assessment of the firm at the beginning of the project and after its completion. Appendix 7.3 lists the sort of information gathered through the desk research.

This information is incorporated in the overall quantitative analysis of the impact of the scheme.

7.2 HYPOTHESES

From the reviewed literature, the study of files and the preliminary interviews, the following hypotheses emerged:

1. Most small firms either have no planning process or a very primitive form of planning.

2. Generally in small firms, managers' perception is that formal planning is taking place but in reality there is no plan. Forecasting and financial projections are confused with planning.

3. Marketing planning is practised less than business planning in firms. As the literature suggests, generally firms tend to prepare and use a business plan prior to using a marketing plan.

4. As the size of a firm (number of employees and/or turnover) increases, so does the practice of marketing planning. Delegation of marketing responsibilities to marketing managers is also related to the size of a firm.

5. The value of the Support for Marketing scheme and marketing planning is greatly related to the operation of the SFM scheme and the performance of the consultant and the way he can influence the client firm.

6. The marketing consultant can have an important role in fostering strategic orientation and marketing awareness among managers of small firms.

7. The implementation of the consultant's recommendations is affected by the degree of satisfaction with the Support for Marketing scheme and/or consultant. Satisfaction with the external expert can positively influence the results achieved by a firm.

8. The experience gained from working with the Support for Marketing scheme improves marketing understanding and knowledgeability of the firm in general and particularly of those directly involved in working with the scheme.

9. Firms will find the Support for Marketing scheme, and consequently marketing planning, useful and of value if the scheme contributes to their marketing awareness and

improves their understanding of strategic marketing issues.

10. Experience and consequently learning, will increase the possibility of the implementation of the recommendations contained in the marketing plan.

11. Increase in knowledgeability of strategic marketing issues will be related to the installation of organisational and administrative mechanisms which are a necessary condition for the effective implementation of a strategic plan (Ames, 1970).

12. Increased marketing awareness and knowledgeability will cause firms to realise the importance of marketing planning, and to use it further in the future.

13. Firms with previous experience of planning tend to gain more strategic understanding with the application of Support for Marketing.

14. The value of the SFM scheme is judged in terms of its contribution to performance.

15. The contribution of the SFM scheme to the performance of a firm is influenced by the degree of implementation of the recommendations offered by the external expert.

7.3 RESPONDENT PROFILE

The questionnaires were directed to the person in contact with both the SFM scheme and the consultant during the whole project, which in most cases was the managing director of the firm. Figure 7.1 shows the position of the respondents. Managing directors, together with owners and marketing directors, form over 86% of the responses.

As to the industrial classification, due to the particular nature of industry in the area where the sample was obtained (Midlands and South West), firms were mainly in engineering and manufacturing. Table 7.1 shows the Industrial Classification of the firms in the sample.

Although firms with up to 500 employees were eligible to apply for the SFM scheme, most were relatively small. As Figure 7.2 shows, over 78% of the firms had less than 50 employees.

Figure 7.3 shows the turnover of the firms in the sample. Nearly 40% of the firms had turnover between £250,000 and £1,000,000 and over 90% of them had turnover less than £5,000,000.

Almost 73% of firms were 'family-owned' or owned by their directors, and most were private companies as shown in Figures 7.4 and 7.5.

Many of the firms that used the SFM scheme had been in business for a long time. As Figure 7.6 shows, over 50% had been in business for longer than ten years.

Firms in the sample were doing business with different customer groups, but were not engaged in selling directly to the consumer. The largest customer type was the industrial goods manufacturer. Table 7.2 shows the customer types.

Table 7.1 Industrial Classification

INDUSTRIAL CLASSIFICATION	PERCENTAGE OF RESPONSES (N=96)
Agriculture,forestry and fishing	1.2
Manufacture of metals and chemicals	7.3
Metal goods,engineering and vehicles	37.8
Other manufacturing industries	25.6
Construction	1.2
Distribution, hotels and catering.	8.5
Transport and communication	3.7
Banking,finance, insurance, business	13.4
Missing	1.2
Total	100.00

FIGURE 7.1 POSITION OF THE RESPONDENT

PERCENT

POSITION OF THE RESPONDENT
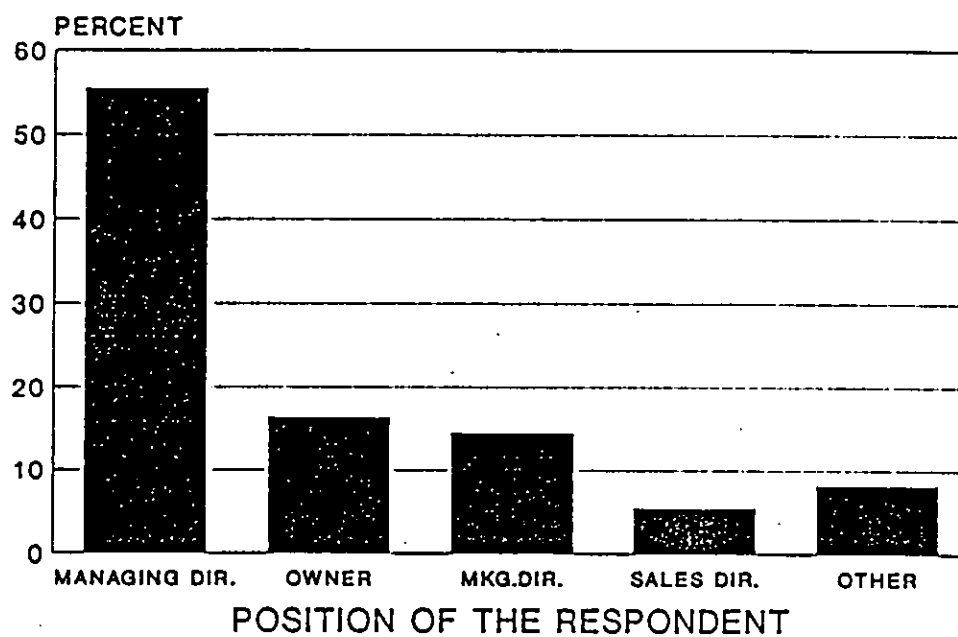
N=95

FIGURE 7.2 NUMBER OF EMPLOYEES

PERCENT

NUMBER OF EMPLOYEES

N=96
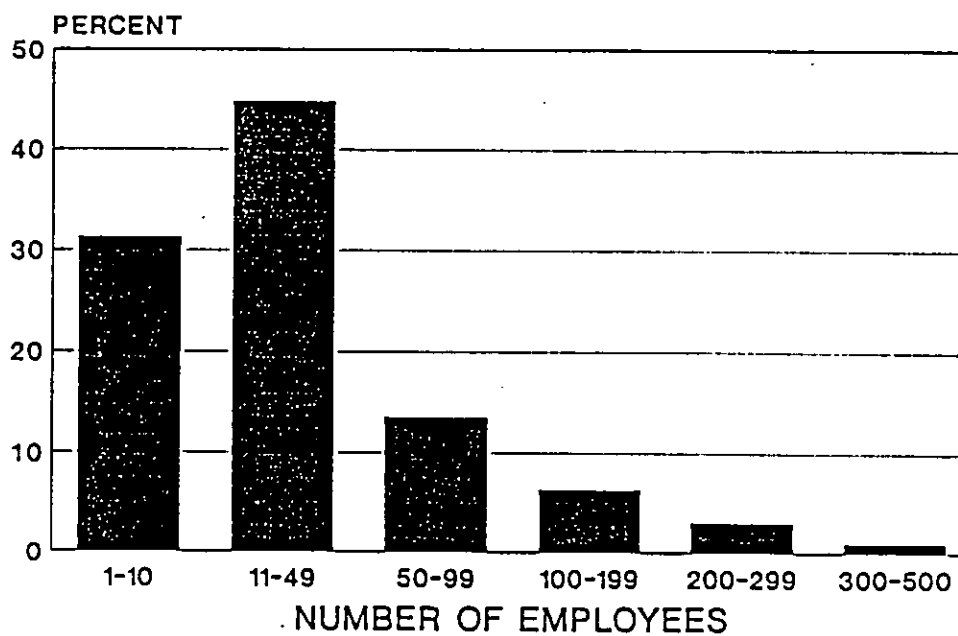
FIGURE 7.3 TURNOVER OF THE COMPANIES
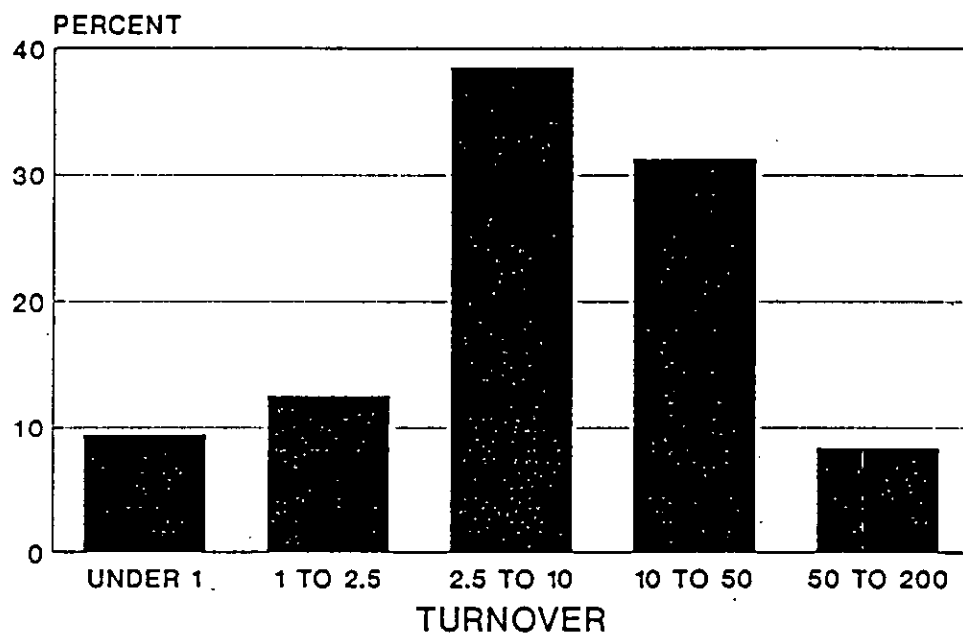
N•95 (IN £100.000)

Table 7.3 summarizes generic characteristics of the sample. Firms in the sample had an average turnover of less than five million pounds, with most of the firms having less than fifty employees. Firms were mainly in engineering and manufacturing and generally were private, family-owned or owned by directors.

As to the general characteristics of firms that used the SFM scheme, the following information was furnished by the headquarters of the SFM scheme at the University of Warwick: the average company was a manufacturing company in the industrial business sector, with 45 employees and a turnover between £1,500,000 and £2,000,000.

Comparing the characteristics of all the firms that benefited from the SFM scheme with the sample obtained in this research, it is possible to conclude that the sample is a satisfactory representation of the population.

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FIGURE 7.4 OWNERSHIP OF THE COMPANIES

PERCENT

OWNERSHIP OF THE COMPANY
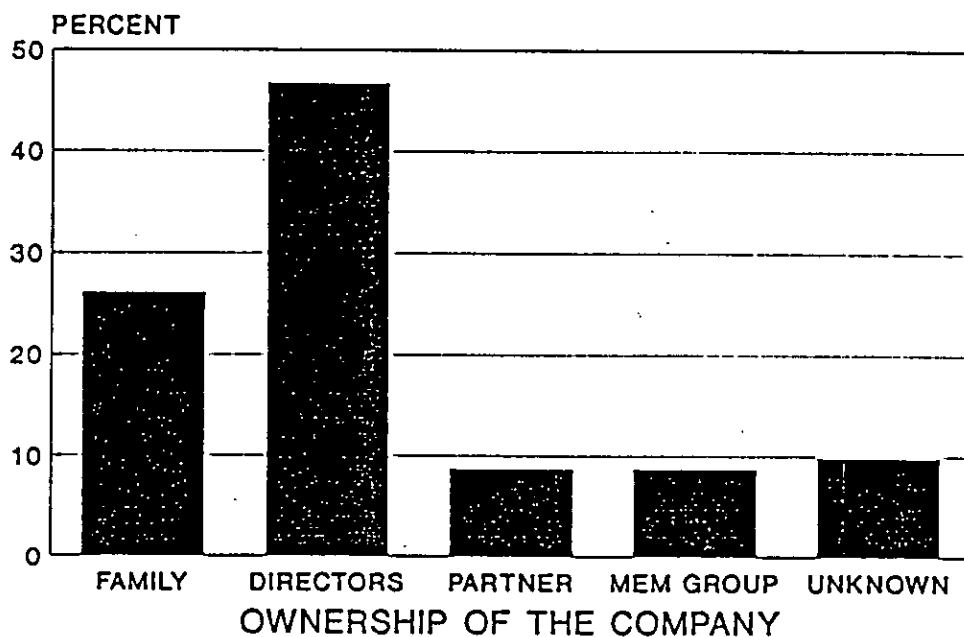
N•92

FIGURE 7.5 PRIVATE OR PUBLIC

PERCENT

PRIVATE OR PUBLIC
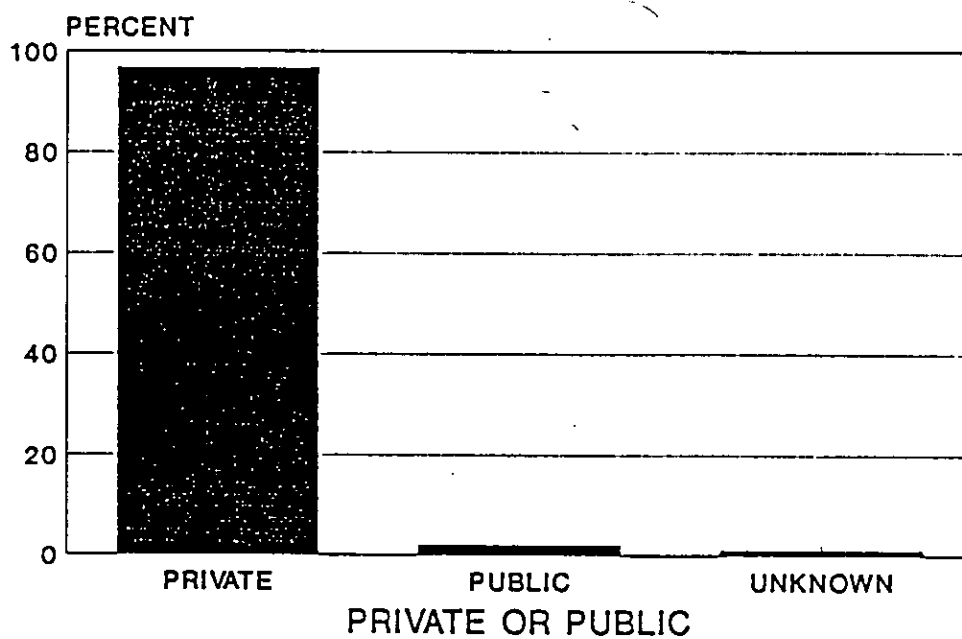
N•95

FIGURE 7.6 NUMBER OF YEARS IN BUSINESS

PERCENT

NUMBER OF YEARS IN BUSINESS
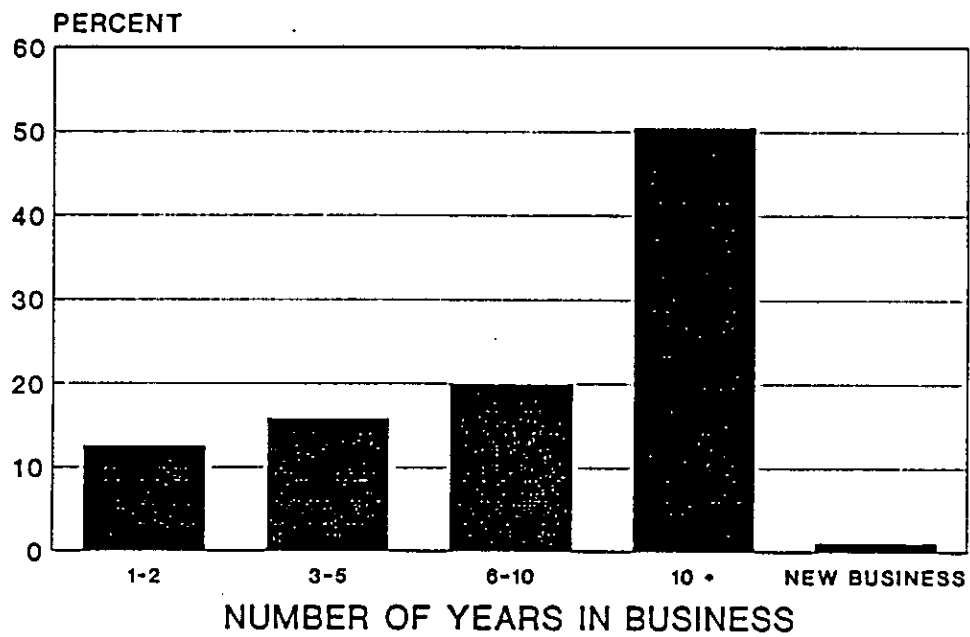
N=95

Table 7.2   Customer types

CUSTOMER TYPES	COUNT	% OF RESPONSES (N=96)	% OF CASES
Retail/Wholesale	44	28.8	45.8
Services	32	20.9	33.3
Consumer goods manufacturer	25	16.3	26.0
Industrial goods manufacturer	50	32.7	52.1
Others	2	1.3	2.1
Total	153	100.00	159.4

Table 7.3   General characteristics of firms in the sample

Most of the firms had a turnover < £ 5 million

Number of employees < one hundred   ——

Mainly engineering and manufacturing companies—

Private companies

Family owned or owned by the directors

7.4 THE DATA ANALYSIS

To analyse the data the Statistical Package for the Social Sciences (SPSS-X User's Guide, 2nd Edition, 1986) was used. Initially, the analysis consisted of the use of more basic statistical procedures such as frequency counts and cross-tabulation tables. Later, more complex statistical procedures were used. The techniques involved factor analysis (Harman, 1967; Wells and Sheth, 1971; Afifi and Clark, 1984; Kim and Mueller, 1978), hierarchical log-linear and logit models (Bishop, Fienberg and Holland, 1975; Everitt, 1977; Haberman, 1978; Upton, 1978; Fienberg, 1977; Placket, 1981). These techniques will be discussed briefly in this chapter and in more detail in Appendices 7.4 and 7.5.

7.4.1 FACTOR ANALYSIS

One of the statistical techniques used in this study for analysis of the data is factor analysis, which has been widely advocated and used in social studies.

Factor analysis is a multivariate statistical technique which is used to determine the relationships among a total set of interacting variables. Through the study of interrelationships among a total set of observed variables, a set of descriptive concepts capable of summarising these relationships is determined. Thus the main characteristic of factor analysis is its data-reduction capability, that is, a set of observed variables is rearranged into a smaller set

of categories called factors. As stated by Kim and Mueller (1978, p. 9) the technique has the capability :

> To represent a set of variables in terms of a smaller number of hypothetical variables.

The same idea is explained by Gorsuch (1974, p. 2) as:

> Usually the aim is to summarise the interrelationships among the variables in a concise but accurate manner as an aid in conceptualization.

Many uses have been attributed to this technique. Wells and Sheth (1971) mention the following uses: factor analysis can be used to define factors or dimensions that can explain relationships among observed variables. It makes evident the relationships among variables; it can help to group the variables and finally it can be used for the clustering of observations. Kim et al (1975), group these uses as exploratory uses, confirmatory uses and its use as a measuring device. The specific objective of exploratory uses is the reduction of data and exploration to establish if there is any latent factor or dimension that determines the relationship among the variables. The confirmatory purpose uses factor analysis to test hypotheses about the number of significant factors and factor loadings. As a measuring device, factor analysis constructs indices which are used as new variables for further analysis. Appendix 7.4 explains major features of this technique.

7.4.2 LOG-LINEAR MODELS

7.4.2.1 Contingency Tables

The data used in this study are qualitative as opposed to quantitative. Quantitative data, such as height, length or temperature are obtained from the measurement of continuous variables. Data in social sciences are rarely of this type, and mostly are qualitative, such as categorisation in 'male', 'female', or 'firms with' or 'without' a marketing plan, or indication of the degree of agreement with a statement in a Likert scale (Urban and Hauser, 1980). The treatment of qualitative data requires other statistical techniques, which must therefore be appropriate for such analysis.

Generally, the starting point of the analysis of qualitative data is the analysis of "contingency tables", which is also referred to in the literature as "category counts", "categorical data" or "cross-tabulated data" (Everitt, 1977; Fingleton, 1984). The contingency tables are formed when the observations are classified in relation to two or more qualitative variables. The data in such a table are generally frequencies or counts.

Generally, the objective is to see whether or not two variables in the population are independent of one another. If the proportion of variables in each cell is equal, there is no relationship between the two variables. If the proportion in the cells is very different, there should be

some sort of relationship. The proportions might differ from each other due to random causes or chance factors occurring in the sampling process. The objective is to see if the differences are due to random causes or not. If the differences are so large that they cannot be attributed to random causes, then variables are not independent of one another (Fingleton, 1984).

Cross-classification tables show the frequency of each cell and the corresponding percentages. They do not reveal anything about the possible relationships of the variables.

There are a number of ways to see if the variables in a contingency table are independent. The chi-square test is the simplest (Everitt, 1977; Upton, 1978). It is based on the differences between estimated and actual frequencies verified in a contingency table. The chi-square test is the test for independence. The null hypothesis (H_0) is that the two variables are independent (Appendix 7.5 explains in more detail the technique).

7.4.2.2 Log-linear Models

Analysis of a two-way classification of a contingency table may not prove difficult, but as the numbers of variables are increased, so is the difficulty of analysis. With the multi-way cross-classification tables, it is not only difficult but may prove impossible to assess the potential

relationships among the variables by examination of the entries of the table.

A different approach to association between variables is to fit models and estimate the parameters in the models (Everitt, 1977; Norusis, 1985). Regression analysis and the analysis of variance are examples of statistical techniques capable of fitting a model and estimating its parameters.

The 'analysis of variance' technique tests the effect of various factors on a dependent variable. Regression analysis verifies what relationship exists between one variable and a number of independent variables. Both techniques, although extremely useful, are not suitable for categorical data. As stated by Norusis (1985, p. 298):

> Neither technique is appropriate for categorical data, where the observations are not from populations that are normally distributed with constant variance.

Log-linear models (Fingleton, 1984; Everitt, 1977; Norusis, 1985; Goodman, 1979a, Clogg, 1982b; Duncan, 1979; Knoke and Burke 1980) have been developed for the analysis of categorical data. Log-linear models are capable of fitting a model and estimating the parameters for it. A model, as defined by Everitt (1977, p. 80):

> Refers to some 'theory' or conceptual framework about the observations, and the parameters in the model

represent the 'effects' that particular variables have in determining the values taken by the observations.

The similarity between log-linear techniques used for qualitative data and those used for quantitative data, such as analysis of variance, means that the same terminology can in many instances be applied to both. Namely, to describe the relationship between qualitative variables, the term 'interaction' is used as an alternative to 'association (Everitt, 1977).

The development of log-linear models was a revolution in the analysis of contingency tables and determination of relationships among discrete variables, and is based on theoretical advances, as discussed by Knoke and Burke (1980, p. 7):

> During the past decade, a revolution in contingency table analysis has swept through the social sciences, casting aside most of the older forms for determining relationships among variables measured at discrete levels. Through the work of Mosteller, Goodman, Bishop, and others, these new techniques have been given a solid foundation in theoretical statistics.

Fingleton (1984, p. 4) also refers to the development of contingency table analysis. He argues that the techniques related to the analysis of the categorical data are now as strong as those for analysing the continuous data:

It is no longer true, as it was in the past, that contingency table analysis is an under-developed science from which only naive conclusions can be drawn, in contrast to the sophisticated multivariate analysis of continuous data. As a result of the considerable advances in the techniques of categorical data analysis, ...equally sophisticated analyses of either categorical or continuous variables, or both together, are now possible. The analyst of relations between categorical variables can now isolate the interaction between variables after allowing for other variables in the same way that the exponent of multiple regression can estimate partial regression coefficients.

There are two types of log-linear models, the general log-linear models and the logit models (Knoke and Burke; 1980).

Appendix 7.5 explains in more detail major features of these models.

7.5 SUMMARY

In this chapter the hypotheses of this study have been identified. Some are related to the practice of marketing planning within the firms and its relationship to size. A number of hypotheses have been developed based on the client-system approach to planning. In this approach, the

impact of intervention can be evaluated by its capacity to increase client knowledgeability and capability.

The methodology of the research has also been reviewed. This consisted of a number of interviews with, and a mailed questionnaire sent to the managing directors of firms. It also involved desk research to obtain extra information. The responses to the mailed questionnaire together with the information obtained through desk research constituted the data base for the statistical analysis. The statistical techniques used for the analysis of the data are: factor analysis, hierarchical log-linear models and logit models. The techniques were briefly discussed in this chapter and are explained in more detail in Appendices 7.4 and 7.5.

CHAPTER EIGHT   DISCUSSION OF THE RESULTS

The underlying rationale for this study was discussed in previous chapters. The research results will be presented in this chapter and the next. This chapter first delineates what the results intend to explain:

- The situation of firms at the beginning of the project.

- The process of planning and its evaluation by a firm.

- The impact and outcome of the exercise.

Then it looks in detail at the situation of firms before the Support for Marketing intervention. Not only the variables that describe the situation prior to the intervention are considered, but their relationships are also identified.

The last part of this chapter looks at the variables that explain firms' evaluation of the Support for Marketing scheme and consultancy process. The relationships among these variables are also considered.

8.1 INTRODUCTION

Figure 8.1 delineates what this section intends to explain:

- The situation of firms at the beginning of the project.ü

- The process of planning and its evaluation by a firm.

- The impact and outcome of the exercise.

A number of variables describe the situation of firms prior to the Support for Marketing intervention, such as: the level of marketing practised, who was responsible for marketing activities, and the size of the companies. The relationships among these variables will be considered.

The planning process looks at interaction between the firm and external experts - the senior industrialist and the marketing consultant. In this section the firm's view of the external experts' role and impact, and the functioning of the Support for Marketing scheme will be reviewed.

There are two alternative outcomes of the process, based on the approaches taken:

i) In the traditional view the expert will use his specialised expertise and knowledge to prepare the plan and formulate recommendations for the client to implement. As discussed earlier, the assumption is that the client does not have the necessary knowledge or objectivity to understand what his problems are, and as such is unable to

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Figure 10.1 Stages of the study and impact of marketing planning

INITIAL STATE

LITTLE PLANNING

MKG. PLAN * BUS. PLAN
MKG. PLAN * MKG.RESP.
MKG. PLAN * NO.EMPLOYEES
MKG. RESP. * NO.EMPLOYEES
MKG. RESP. * TURNOVER
NO. EMPLOYEES * TURNOVER

THE TREATMENT

PLANNING PROCESS

FIRM

INTERACTION WITH THE EXTERNAL EXPERT IN THE MARKETING PLANNING PROCESS.

INTERACTION WITH THE SCHEME

INTERACTION WITH THE CONSULTANT

FINAL STATE (OUTPUT)

CLINICAL APP.

MARKETING PLAN

INCREASE KNOWLEDGE

FURTHER USE PLAN

IMPLEM. RECOMS.

IMPROVED PERFORMANCE

SYSTEMS APP.

MARKETING PLAN

IMPLEMENT. RECOMMEND.

IMPROVED PERFORMAN

FURTHER USE PLAN

take any corrective action. As Figure 8.2 shows, two processes take place, rather hierarchically and somewhat independently of one-another. First is the formulation of a plan by the expert and his control of its implementation. Second is the process of implementation of the plan by the firm, in that the plan as a finished product is given to the firm to be used and implemented. In this context, the outcome of the intervention is a plan document containing a number of recommendations. It would be expected that as a result of implementation of the recommendations contained in the plan, improved performance would occur. Improved performance then would encourage further use of marketing planning by the firm in the future.

ii) The other model is based on the clinical approach proposed by Archibald (1970), where the expert interacts closely with the client firm. It is based on a dynamic relationship with the organisation, and the objective of the consultant is to help improve client understanding and competencies. In this approach, the process of planning and interaction with the expert increases the knowledgeability of marketing within the firms. The increased knowledgeability will encourage firms to implement the recommendations and utilise marketing planning in the future (Figure 8.3). This view is closely analogous to the role of knowledgeability in adoption. The importance of knowledgeability as a prerequisite to adoption is well documented in the general literature on innovation (Figure 8.4). Different models of adoption suggest that awareness

Figure 8.2 The process and outcome of the intervention in
the prescriptive approach.

CONSULTANT   FIRM

```
     ┌─────────────────┐          ┌─────────────────┐
     │                 │          │      PLAN       │
     │   FORMULATION   │          │                 │
     │                 │          │    DOCUMENT     │
     └────────┬────────┘          └────────┬────────┘
              │                            │
              ▼                            ▼
     ┌─────────────────┐          ┌─────────────────┐
     │      PLAN       │          │ IMPLEMENTATION  │
     │                 │          │       OF        │
     │    DOCUMENT     │          │ RECOMMENDATIONS │
     └────────┬────────┘          └────────┬────────┘
              │                            │
              ▼                            ▼
     ┌─────────────────┐          ┌─────────────────┐
     │                 │          │    IMPROVED     │
     │ IMPLEMENTATION  │          │                 │
     │                 │          │   PERFORMANCE   │
     └────────┬────────┘          └────────┬────────┘
              │                            │
              ▼                            ▼
     ┌─────────────────┐          ┌─────────────────┐
     │                 │          │  FURTHER USE    │
     │    CONTROL      │          │                 │
     │                 │          │  OF PLANNING    │
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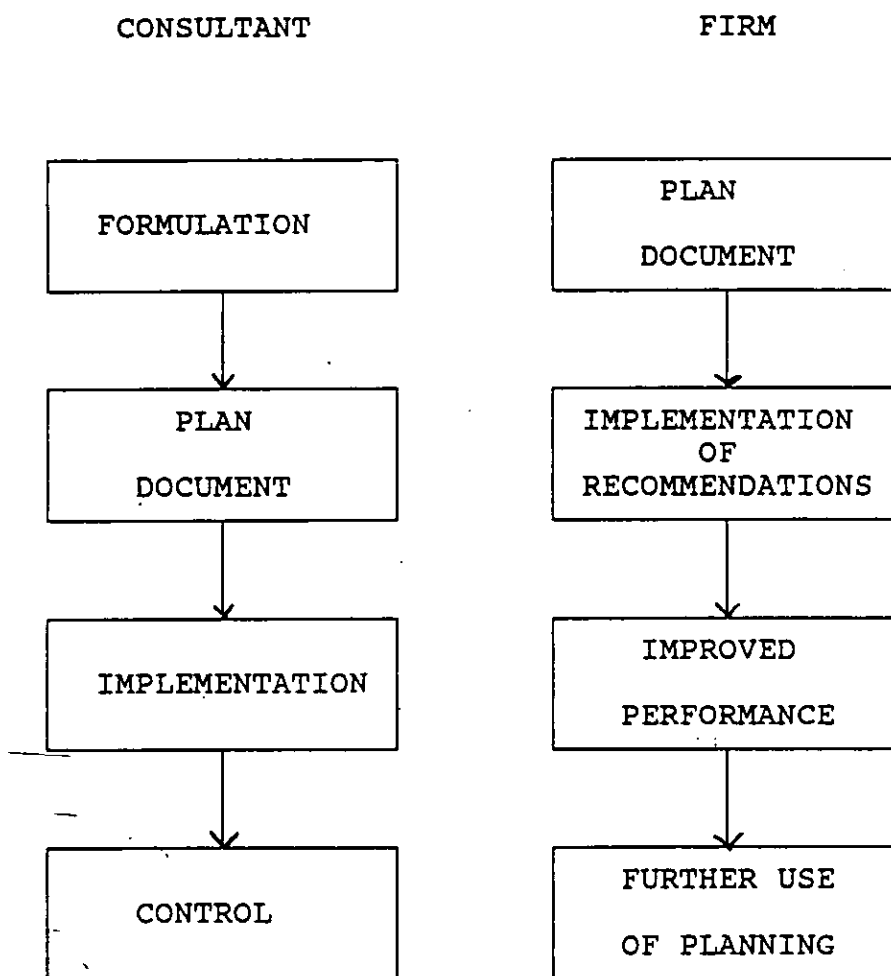
Figure 8.3   The process and outcome of the intervention in the clinical approach.

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        ┌─────────────────────────────────────┐
        │     INTERACTION BETWEEN THE          │
        │     CONSULTANT AND CLIENT            │
        └─────────────────────────────────────┘
              │                       │
              ▼                       ▼
   ┌──────────────────────┐   ┌──────────────────┐
   │  INCREASED           │   │  PLAN            │
   │                      │   │                  │
   │  KNOWLEDGEABILITY    │   │  DOCUMENT        │
   └──────────────────────┘   └──────────────────┘
         │        │                  │
         │        ▼                  ▼
         │   ┌──────────────────────────────────┐
         │   │  IMPLEMENTATION OF               │
         │   │                                  │
         │   │  RECOMMENDATIONS                 │
         │   └──────────────────────────────────┘
         │                    │
         │                    ▼
         │   ┌──────────────────────────────────┐
         │   │  IMPROVED PERFORMANCE            │
         │   │                                  │
         │   └──────────────────────────────────┘
         │                    │
         │                    ▼
         │   ┌──────────────────────────────────┐
         └──▶│  FURTHER USE OF PLANNING         │
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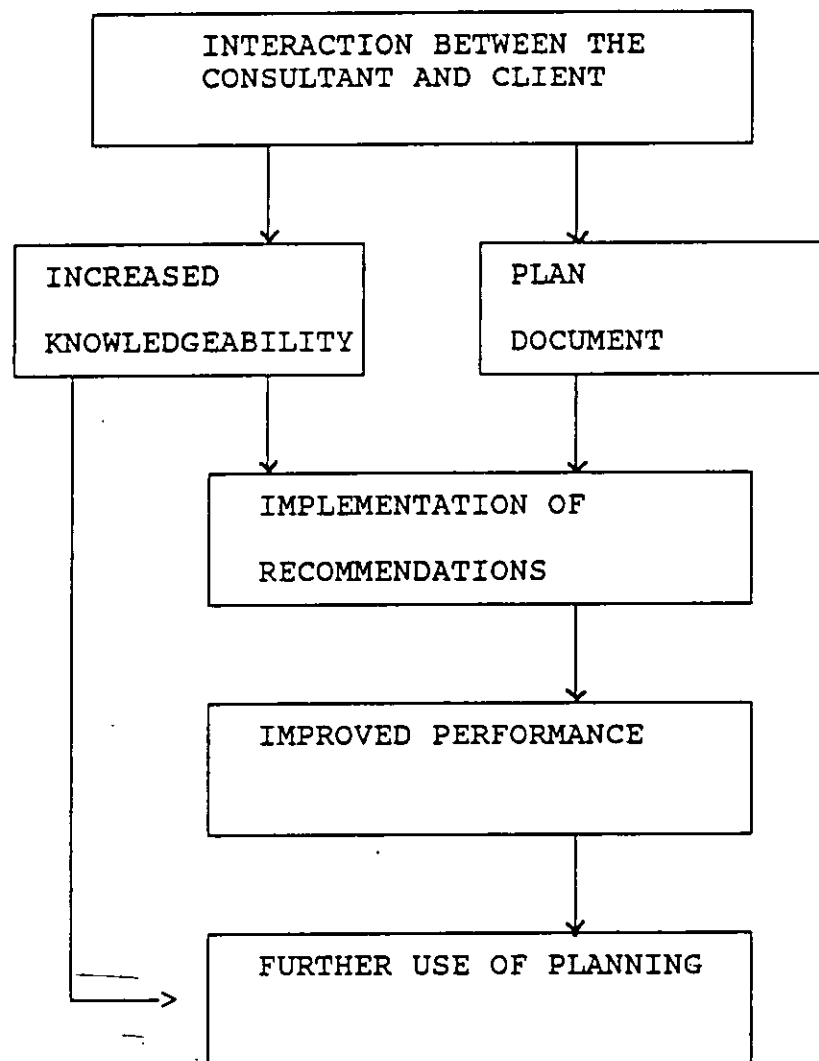
Figure 8.4 Process of adoption

I - AWARENESS   INTEREST   DESIRE   ACTION

   (Strong, 1925)

II - UNAWARE   AWARE   KNOWLEDGE   LIKING
     PREFERENCE   CONVICTION   PURCHASE

   (Lavidge and Steiner, 1961)

III - AWARENESS   INTENT   SEARCH   TRIAL
      REPEAT

   (Urban and Hauser, 1980)

IV - AWARENESS   INTEREST/INFORMATION   EVALUATION
     TRIAL   ADOPTION

   (O'Shaughnessy, 1988)

and knowledge are indispensable steps in the process of adoption.

The relationships of the Support for Marketing scheme with different planning approaches were discussed previously (Chapter Six) where mention was made of similarities between the operation of the scheme and the clinical approach to planning. Consequently the emphasis of this thesis will be on the clinical approach, which looks at the impact of the planning process on client capability.

It is essential, however, to note that the main and ultimate objective of Support for Marketing intervention or any intervention of this nature is sustained improved performance. Although, as argued above, the impact of the scheme on knowledgeability will be assessed and forms an important part of this study, nevertheless it must be remembered that the impact on performance of the firms, and the consequent value of the SFM scheme to the firm, are the final objectives. But the question is whether or not all firms benefit from the SFM intervention in the same way, and if not, what classification variables best differentiate those who gain more from the intervention from those who fail to benefit. To answer these questions, two classification variables could be considered: characteristics of the firms, and characteristics of the process.

Variables concerning the firms' characteristics, such as existence of business and marketing planning at the beginning of the project, the allocation of marketing responsibility within firms, size of the firms in terms of turnover and number of employees, and number of years firms have been in the business will be considered. The objective is to see if the benefits a firm received from the SFM intervention in terms of knowledgeability, value, performance and further use of planning are related to the firm's characteristics.

Benefits achieved by the firm may be related not so much to the attributes of the firm as to the characteristics of the process, i.e., how the scheme functions, how the senior industrialist accomplishes his function and how the consultant performs. The relationship of these variables with, knowledgeability, value, performance and further use of planning needs to be assessed as well.

This study, therefore, assesses the relationship of the key variables with i) the characteristics of the firm and ii) the operation of the intervention. Generally speaking three levels of analysis have been employed:

First, a number of cross-tabulation tables were run and the chi-square test of independence was used to see, in a primary stage of analysis, what relationships exist among variables.

The second stage of analysis consisted of the use of the hierarchical log-linear models to verify the interaction among variables. As these models only verify the interaction and do not give clear indications of the direction of relationships, a third level of analysis was considered.

At the third level of analysis, either the linear-by-linear association model for ordinal data or logit models were used. Both techniques indicate the nature of the relationship between variables, that is, if the relationship is positive or negative (Appendix 7.5).

8.2 SITUATION BEFORE INTERVENTION

To assess the position of the firms before the intervention two sources were used:

1. The responses obtained through the survey and

2. The evaluation of the senior industrialist who visited the firm, through desk research.

8.2.1 PRACTICE OF MARKETING PLANNING AND BUSINESS PLANNING

Firms were asked to state how they classified the overall marketing planning activity of their firm at the beginning of the project, using a scale of 1 to 5, where 1 indicated "a well defined up-dated marketing plan" and 5 suggested that "no marketing plan of any sort existed" (Question 1.7 of Appendix 7.2).

Results of this study confirm that the practice of marketing planning in small firms is very limited. While from the firm's point of view only 14.6% admitted that they had no plan at all, the senior industrialist's report testifies that about 69% of them were lacking any marketing plan at all.

This is an interesting result as to a certain degree it confirms the findings of Greenley (1983-b) and McDonald (1982-a). McDonald found that only 10% of the sample he studied was practising marketing planning in full, while Greenley found a higher incidence of about 25%. Their results, in connection with the practice of marketing planning as claimed by firms, are similar and far higher. Both studies indicate that nearly 70% of the firms claim such practice (Table 8.1).

The prescriptive literature (Higgins, 1980; Hussey, 1979; Jain 1981; O'Shaughnessy, 1988) suggests that the preparation of a business plan comes before that of a marketing plan. This contrasts with the results reported by Greenley (1983-b), who found that 67% of the firms with both a corporate plan and a marketing plan prepared the marketing plan first. In this study, the incidence of business planning was significantly higher than that of marketing planning. While in the firm's view about 46% of the sample had a business plan, only 10% of the firms had a full marketing plan. From the senior industrialist's point of view the same tendency is confirmed. In only 1% of cases,

firms believed that they had a marketing plan without having a business plan, although the senior industrialist found no firm with a marketing plan and no business plan (Table 8.2)

Table 8.1   Practice of marketing planning

	FIRM'S VIEW N=96	SENIOR INDUST. VIEW N=90

SFM STUDY
    NO PLAN   (score 5)
    SOME   (scores 3 and 4)
    PLAN   (scores 1 and 2)
	14.6%
	75.0%
	10.4%
		68.9%
		23.3%
		7.8%

	FIRM'S VIEW	"REAL INCIDENCE"
McDonald	70.0%	10.0%
Greenley	70.0%	25.0%

Table 8.2   Marketing plan and business plan in the firms

	FIRM'S VIEW	SENIOR INDUSTRIALIST'S VIEW
MARKETING PLAN	10.4% (N=96)	8.0% (N=90)
BUSINESS PLAN	45.8% (N=95)	39.6% (N=95)
HAVE MKG.PLAN, BUT NO BUSINESS PLAN	1.0% (N=95)	0.0% (N=90)

8.2.2 RELATIONSHIP BETWEEN MARKETING PLANNING AND BUSINESS PLANNING

The relationship between the practice of marketing planning and business planning has been studied. As would be expected, and as suggested by the literature, the business and marketing plan were related to one another. The log-linear model identifies that there is an interaction between the level of marketing practised and the existence of a business plan within a firm. Evidence for this is based on the results of the survey and is supported by the senior industrialist's view.

A) Firms' point of view

Firms were asked to respond if they had a generic strategic plan. The hierarchical log-linear model was used to examine the relationship of this variable with the marketing planning variable. Table 8.3 shows the chi-square and probability values for this model:

Table 8.3 Tests that K-way effects are zero for marketing and business planning variables, from firms' point of view.

Tests that K-way effects are zero.

K	L.R.Chisq	PROB	DF
1	27.789	0.0000	3
2	14.393	0.0007	2

It should be noted that the null hypothesis indicates that there is no effect, i.e., the K order effect is zero. In this case the hypothesis that first and second order effects are zero is rejected. Since the two way interaction has a significance level less than 0.05, it indicates that there is a relationship between the two variables.

The result shows that there is an interaction between business and marketing planning. It is now necessary to determine the nature of the interaction to see if there is a positive or negative interaction between the two variables. To do so, as discussed earlier, either the logit model or the linear-by-linear association model for ordinal data can be used. For the logit model the dependent variable has to be dichotomous. In this case there is a need for amalgamation of the variables, which is possible by grouping the responses into two categories: those with some marketing planning activities (to include the responses 1, 2, and 3), and those with no marketing planning activities (including responses 4 and 5). The following result is then obtained (Table 8.4):

Table 8.4 The parameter estimate for the SCORE17 (Marketing Planning) by GSP15 (Business Planning) interaction based on firm's point of view.

SCORE17 BY GSP15			
Parameter	Coeff.	Std. Err.	Z-Value
2	0.403	0.11	3.60

The positive coefficient for the interaction term in a logit model indicates a positive relationship between the two variables. A 'Z value' bigger than 1.96 indicates that the coefficient is significant. Therefore, by using the logit model, it is possible to verify the nature of interaction, which in this case is positive.

The relationship between the variables can be determined, however, without having to amalgamate them, using the models for the ordinal data. As discussed in Appendix 7.5, one of these models, the linear-by-linear association model for ordinal data, produces a coefficient, called Ω, which shows the nature of relationships. In this case the following result is obtained (Table 8.5):

Table 8.5   The Ω parameter and goodness-of-fit test statistics for marketing and business planning, from firms' point of view.

Parameter	Coeff.	Std. Err.	Z-Value
Ω	1.17	0.36	3.26

Goodness-of-Fit test statistics

Likelihood Ratio Chi square=	1.199	DF=1	P=0.157
Pearson Chi square=	2.143	DF=1	P=0.143

The positive value for Ω coefficient shows that there is a positive relationship between the two variables, and the Z value of 3.26 signifies that the coefficient is significant.

Considering the values for the goodness of fit recommended by Knoke and Bruke (1980), the model fits well. As discussed in Appendix 7.5 they suggest values between 0.1 and 0.35 as acceptable.

B) Senior industrialist's point of view

In the previous section the relationship of business and marketing planning from the firms' point of view was considered. When the senior industrialist visited firms, he would look at the existence of their marketing and business plans. This information permits an examination of the relationship between marketing and business planning from the senior industrialist's view point.

The result from the application of the hierarchical log-linear model shows that there is an interaction between the marketing and business plan as seen by the senior industrialist.

The direction of the relationship is seen from the results of the linear-by-linear association model for ordinal data. The Ω coefficient is positive (1.28) and the Z value is large (3.71), which indicates that the relationship between the two variables is positive.

It can be concluded that there is a positive relationship between business and marketing plan both using the survey data and the data based on the senior industrialist's view. Figure 8.5 illustrates this relationship. The following symbology will be used throughout Chapter Eight.

A line and double arrows (<——>) indicates that the relationship has been identified by hierarchical log-linear model and linear-by-linear association model for ordinal data.

A line (———) indicates that the relationship has only been identified by hierarchical log-linear model.

Double arrows without a line (<   >) defines that the relationship has only been identified by linear-by-linear association model for ordinal data. A plus (+) or minus (-) sign shows that the relationship is positive or negative.

Figure 8.5   Relationship between marketing and business planning

BUSINESS PLANNING	<——————> +	MARKETING PLANNING

Ω = 1.28   Z = 3.71
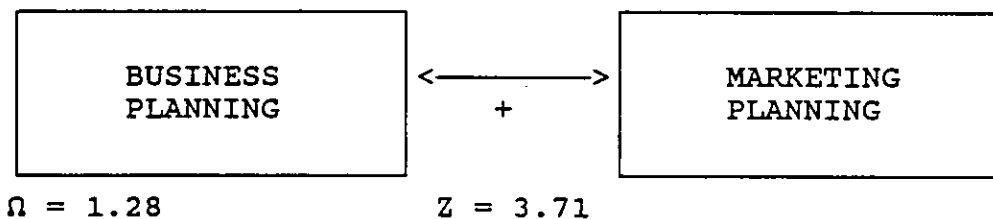
8.2.3 MARKETING RESPONSIBILITY AND ITS RELATIONSHIP WITH MARKETING PLANNING.

Firms were asked to specify who in their organisation was in charge of marketing (Appendix 7.2 - Question 1.8). Figure 8.6 shows the allocation of marketing responsibility within the sample. Lack of marketing planning in small firms can be assessed by looking at the allocation of marketing responsibility within the firm.

In almost 22% of the cases there was nobody in charge and in about 40% of the cases, a sales person or marketing manager was responsible for the marketing activities of the firm. In nearly 38% of cases the marketing function was performed by the managing director or other director. The lack of marketing planning together with the fact that only 26% of the firms had a marketing manager responsible for the marketing function of the firm, testifies to the low priority given to marketing in small firms.

It was also interesting to see whether or not the allocation of marketing responsibility was related to the existence of marketing planning in the firm. If it was, what sort of relationship existed? The identification of this relationship helps to decide if the presence of an individual responsible for marketing is associated with the practice of marketing planning in the firm.

FIGURE 8.6 MARKETING RESPONSIBILITY
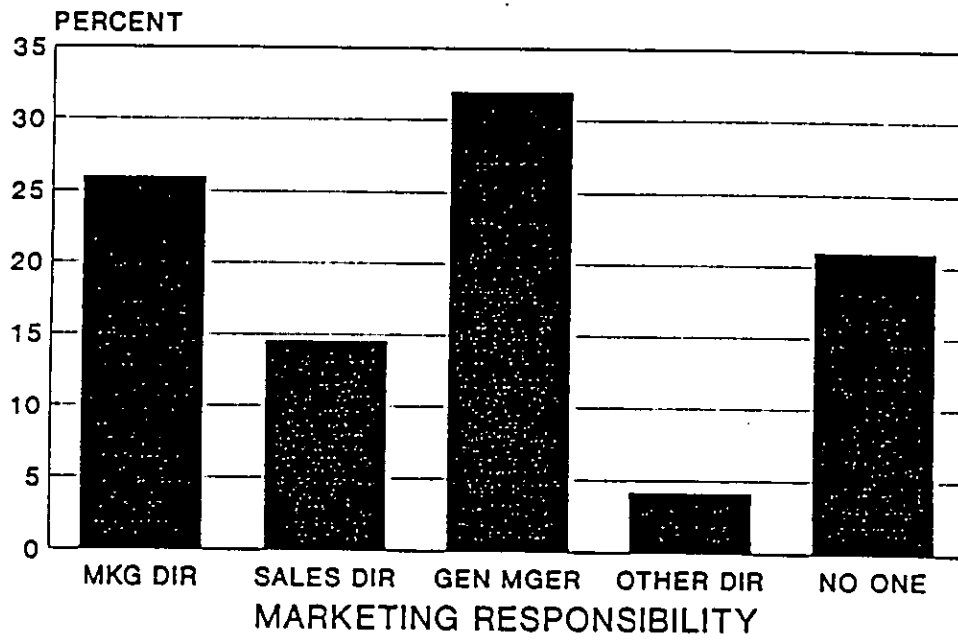
N-96

Hierarchical log-linear models (Appendix 7.5) were used to see the relationship between the degree of formalization of marketing planning activity and the marketing responsibility within the firm. Again the model was used for both: the firms' responses and the senior industrialist's views.

From firms' point of view, the results show that there is an interaction between marketing planning and marketing responsibility within the firms and further analysis indicate that the relationship is of a positive nature. Figure 8.7 represents this relationship.

Figure 8.7   Relationship between marketing planning and
               marketing responsibility from firm's view point.

```
  ┌─────────────────────┐                    ┌─────────────────────┐
  │  MARKETING          │ <──────────>       │  MARKETING          │
  │  RESPONSIBILITY     │        +           │  PLANNING           │
  └─────────────────────┘                    └─────────────────────┘
  Ω = 0.59                      Z = 2.61
```
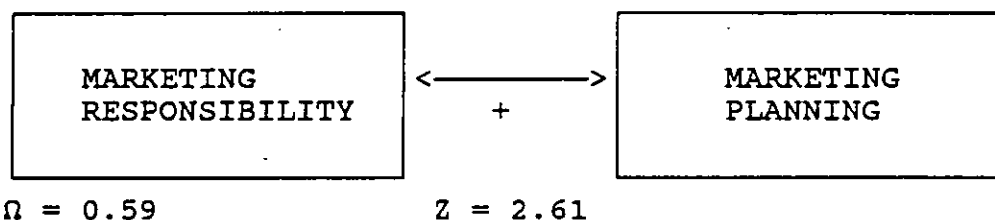
The next issue to address is the possibility of a relationship between marketing planning and the allocation of marketing responsibility within the firm, from the senior industrialist's point of view. Using the data which explain the senior industrialist's view, the hierarchical log-linear model shows high value of probability for the two way interaction which indicates that the two variables are independent. Therefore, from the senior industrialist's view there is no interaction between the two variables.

While firms' responses indicate an interaction between marketing planning and responsibility, data obtained based on the senior industrialist's views reveals that no such interaction exists. This result is, as discussed earlier, in part related to over-estimation by the firms, of their marketing activities. Forecasts and budgets are confused with planning. It also implies that the presence of a marketing or sales director does not automatically guarantee that marketing planning will be practised. In many cases, marketing directors are probably more concerned with the day to day activities of a firm than with formal planning. This is confirmed by answers given when asked why they called in a marketing expert in the first place (Appendix 7.2 - Question 1.9). In more than 50% of cases, they wanted a formal marketing activity or a long term marketing plan. About 50% of the firms wanted a professional view from an outsider, regarding their activities, or to have the validity of their existing marketing activities confirmed. In both cases they felt that an expert could have helped them to organize their marketing activities or at least instil confidence to pursue them (Figure 8.8).

8.2.4 MARKETING RESPONSIBILITY AND SIZE

Literature suggests that as the size of a firm grows, so does the use of formalized and comprehensive planning (McDonald, 1982). It would be interesting to see, in this sample, how the practice of marketing planning and

FIGURE 8.8 REASON FOR HELP

PERCENT

WHY DID YOU CONTACT SFM?
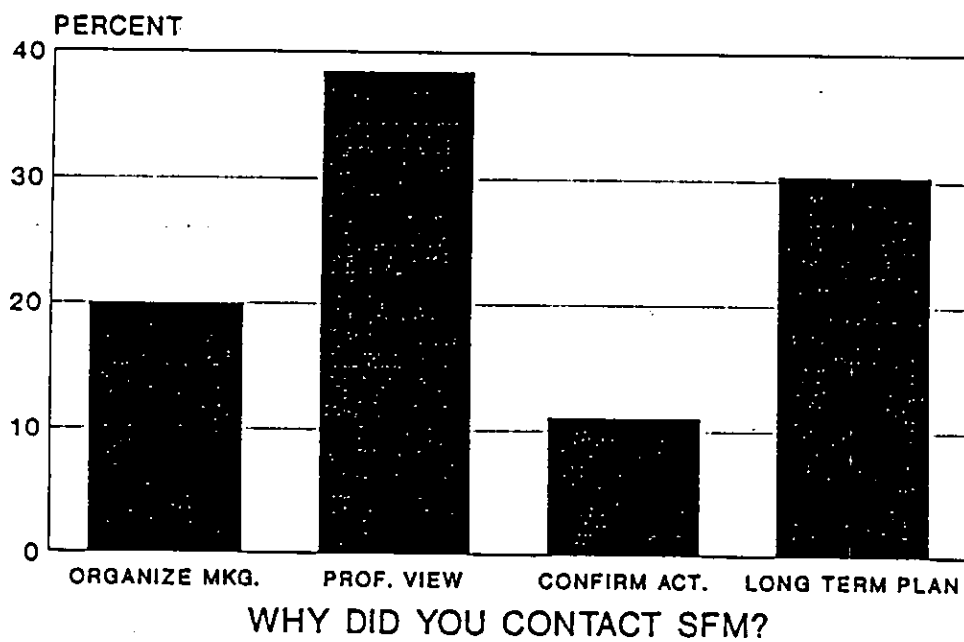
N=95

allocation of marketing responsibility within the firms were related to size. The results indicate that there is a positive relationship between size and marketing responsibility both in terms of turnover and number of employees (Figure 8.9). However, no relationship between the practice of marketing planning and size has been identified. This result shows that as the size of a firm grows, there is a tendency in isolating the marketing function from other activities of the firm and allocating a responsible for it. Although, as discussed in the previous section, the presence of a marketing responsible does not imply that marketing planning is being practiced in the firm.

Figure 8.9   Relationship between marketing responsibility and size.
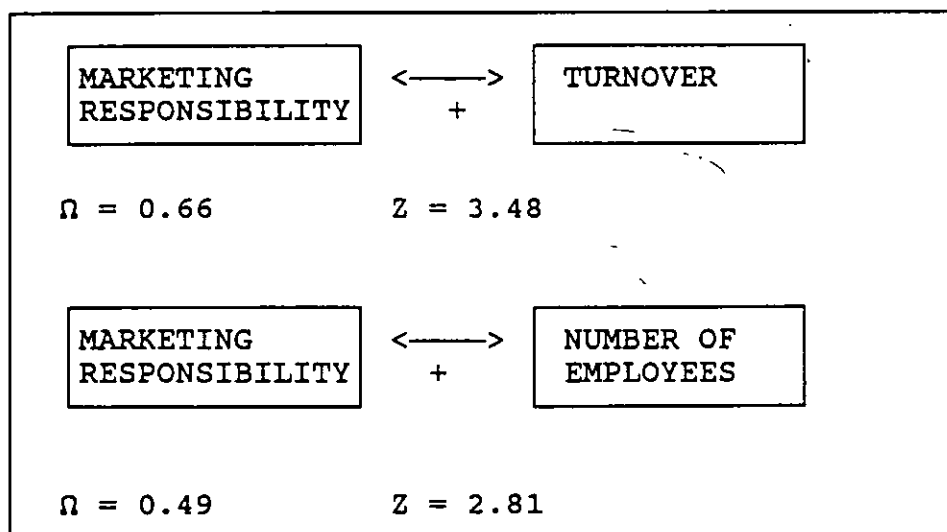
8.3 EVALUATION OF THE INTERVENTION

8.3.1 INTRODUCTION

In the previous section, a number of relationships that explain the situation in firms prior to the SFM scheme's intervention were analysed.

The objective of this study is to look at the impact on firms of the Support for Marketing scheme. An important issue to address is how they evaluate the SFM scheme and the consultancy process.

Most of the firms in the sample had no marketing planning or a very limited marketing planning activity. The methodology of assistance required interaction with the experts, both from the scheme and the marketing consultancy. It is necessary to see how the firms evaluate their experience with the Support for Marketing scheme and the consultancy process, and how valuable the experience was.

8.3.2 EVALUATION OF THE SCHEME

A number of questions defined how firms evaluated the Support for Marketing scheme and its functioning and how, in their own view, senior industrialists performed their tasks. Firms were asked to score the scheme in connection with the following (Questions 2.27, Appendix 7.2):

1. Speed of response

2. Rapid decision-making

3. Efficient execution, and

4. Lack of bureaucracy and red tape.

A scale of 1 to 5 was used where 1 indicated "very good" and 5 indicated "very poor". Table 8.6 shows the response of the firms to these questions.

As Table 8.6 shows, the level of satisfaction with the Support for Marketing scheme is quite high. Firms generally find the scheme operating in quite satisfactory terms, with about 71 to 82 percent of them scoring the operation of the scheme as good or very good in terms of speed of response, rapidity in decision-making, efficiency of execution and lack of bureaucracy. This table shows that firms rated the functioning of the SFM scheme highly in several respects.

The next question assesses firms' overall evaluation of the SFM scheme in terms of concept and execution. Over 71% of the firms found execution of the scheme to be of good or very good value. However, the much higher figure of above 91% reflected the importance they attached to the scheme as a good or very good idea (Table 8.7).

Table 8.6 Firm's evaluation of the Support for Marketing scheme.

	% OF RESPONSES				
	VERY GOOD 1	GOOD 2	AVER- AGE 3	POOR 4	VERY POOR 5
1. Speed of response (N=93)	37.6	34.4	15.1	7.5	5.4
2. Rapid decision making (N=91)	31.9	39.6	19.8	7.7	1.1
3. Efficient execution (N=92)	31.5	44.6	19.6	3.3	1.1
4. Lack of bureaucracy and red tape. (N=92)	45.7	37	16.3	1.1	0

The importance attached to the concept of the Support for Marketing scheme reflects to a certain extent the degree of the need of firms to improve their marketing activities. The high value attached to the Support for Marketing scheme in terms of execution and even higher as a concept also explains the pattern of responses to (Question 2.29 - Appendix 7.2):

"Would you recommend the use of the scheme to other firms?"

Figure 8.10 shows that 82% of firms seemed confident that they would recommend the scheme to others.

Although firms have little doubt in recommending the scheme to other firms, it is interesting to see what value they

themselves placed on it. They were asked if the Support for Marketing scheme had proved to be good value for money compared to their cost (Question 2.20 - Appendix 7.2). Around 63% of the firms find the scheme 'good' or 'very good' value. However, about 23% responded 'poor' or 'very poor' and 15% gave a rating of 'average' (Figure 8.11). Comparing this result with the evaluation of the scheme in terms of concept and execution, it is evident that the value compared to the cost incurred to firms is lower than the value of the scheme in terms of concept and execution. There can be two possible explanations for this discrepancy:

One is that the data was collected very soon after the completion of the project (see Table 8.8).

With over 51% of the firms having had the completed project for less than 6 months, and almost 90% for less than one year, it is far too soon for the financial benefits to appear. Firms did not have enough time to implement the recommendations and therefore the full results of the marketing consultant's intervention have not yet been shown. A second reason for the discrepancy is, as evaluation shows, the cost of marketing consultancy, which can be significant for a small firm, and to what degree small firms can be cost-conscious. Firms were also asked (Question 2.21 - Appendix 7.2):

Table 8.7   Firms' evaluation of the Support for Marketing scheme, in terms of concept and execution

	% OF RESPONSES				
	VERY GOOD 1	GOOD 2	AVER- AGE 3	POOR 4	VERY POOR 5
1. Scheme in terms of concept. (N=95)	64.2	27.4	2.1	6.3	0
2. Scheme in terms of execution. (N=94)	36.2	35.1	14.9	9.6	4.3

Table 8.8   Number of months since completed the project.

NUMBER OF MONTHS SINCE COMPLETED THE PROJECT	% OF RESPONSES (N=94)
1 - 2 months	8.4
3 - 4 months	24.2
5 - 6 months	18.9
7 - 12 months	37.9
1 - 2 years	10.5

FIGURE 8.10 RECOMMENDING THE SFM SCHE

WOULD YOU RECOMMEND THE SFM SCHEME?
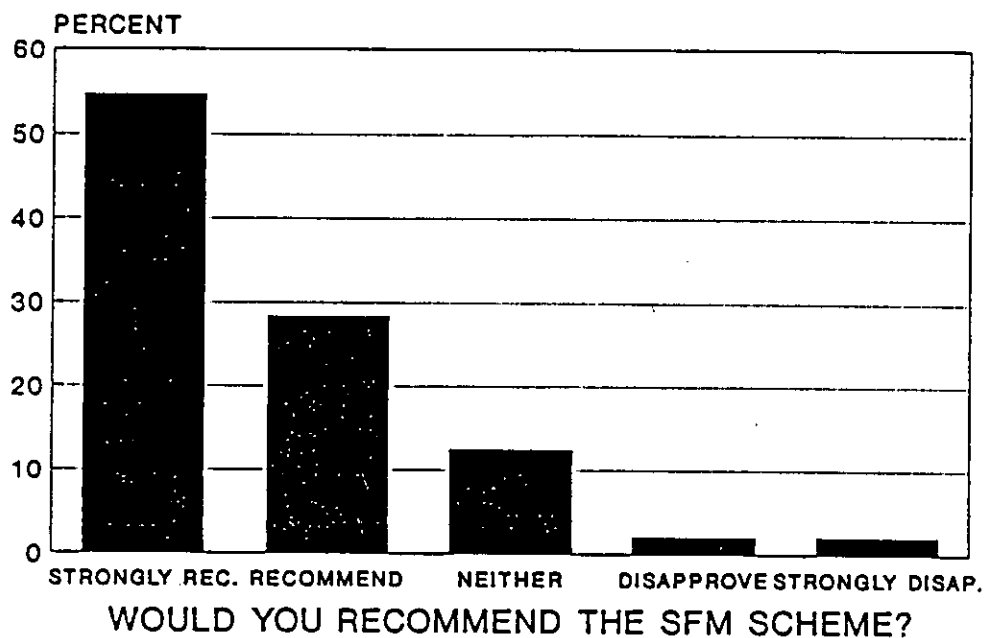
N-95

FIGURE 8.11 VALUE OF THE SCHEME
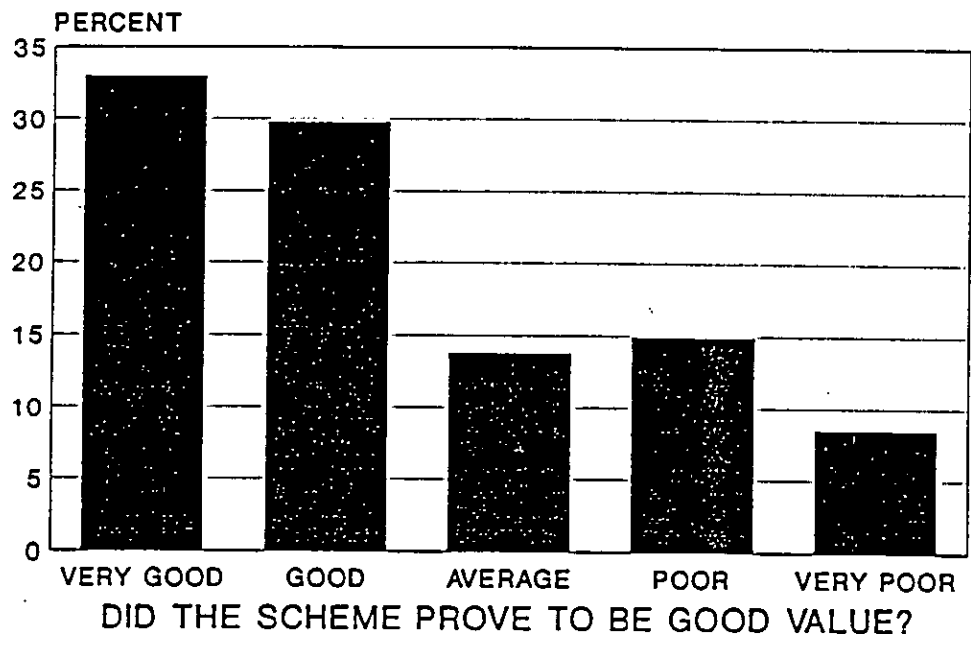
PERCENT

DID THE SCHEME PROVE TO BE GOOD VALUE?

N=94

U. E. M

"If you were expected to finance the project wholly, would it still have been good value for money?"

Considering this possibility, as it would be expected, a greater percentage of the firms answered that it would not be a good value if wholly financed by them. While in only 23% of the cases firms rated the scheme 'poor' or 'very poor' value compared to its cost (Figure 8.11), around 50% of the firms rated it as 'not good value' if financed totally by the firm (Table 8.9). The same reasons mentioned above, but to a greater extent, explain the reason for this response. An interesting question at this stage would be: 'would you have used a marketing consultant, if it were not for the availability of a subsidised consultancy project?. 86% of the firms would not use a marketing consultant in the absence of subsidy and only 14% of the firms would call for a marketing consultant independent of the existence of the subsidy.

When asked why they would not use an unsubsidised marketing consultancy, a number of reasons emerged. Due to cost, nearly 77% of the firms would not call in a marketing consultant. It is interesting to note that the cost of consultancy is a major deterrent to its use. Another important reason, cited in more than 10% of cases, was that firms were not aware of the benefits of marketing planning and marketing consultancy. Lack of awareness of value together with the cost are mentioned by 87% of the firms. As mentioned earlier, the level of the use of marketing

planning in small firms is considered to be "abysmal" (Pettit and Lynch, 1986). Recent studies identified how lack of marketing can be one of the factors contributing to lack of success (Baker et al, 1987). Considering this result along with the allocation of marketing responsibility within a firm and the practice of marketing planning discussed in section 8.2, an immediate conclusion can be that not only the situation of the level of utilisation of marketing planning in the firms is "abysmal", but this will not change without an external force to encourage and assist firms to use marketing planning and develop their marketing activities. In practice firms are either not aware of its benefits or find it too expensive, and as such they do not practise it. By so doing, an important ingredient of the business is lacking.

Other reasons were quoted by firms, such as their unsatisfactory previous and/or present experience of marketing consultants (Table 8.10).

Table 8.9   The use and value of marketing consultancy in the absence of the subsidy.

	% OF RESPONSE	
	YES	NO
If you were expected to finance the project wholly, would it still have been good value for money? (N=93)	49.5	50.5
Would you have used a marketing consultant, if it was not for the availability of a subsidised consultancy project? (N=93)	14.0	86.0
Had you ever used a marketing consultant before?	25.0	75.0

Table 8.10   Reasons for not using a marketing consultant if not subsidised.

REASONS FOR NOT USING A MARKETING CONSULTANT IF NOT SUBSIDISED	% OF RESPONSES N=69
1. Too expensive	76.9
2. Unaware of benefits and/or unsure of value for money	10.3
3. Marketing was not considered to be an important function and/or no marketing or training budget existed.	6.4
4. Previous and/or present experience proved to be unsatisfactory.	6.4

8.3.2.1 Evaluation of the Senior Industrialist

An important aspect of the Support for Marketing scheme's work relates to the senior industrialist's work within it. As discussed in Chapter One, this consists not only of assessing the eligibility of the client firm for the subsidised project, but also explaining the nature of the strategic marketing project, the nature of the financial assistance provided by the SFM scheme, and briefing the firm on how to manage the consultant. These are important functions for two reasons:

i) As was mentioned earlier, but for the subsidy, many firms would not consider the use of marketing consultancy. Recalling the reasons mentioned in the Table 8.10, they would be inhibited by cost, were not aware of its benefits or there was no budget allocated for marketing. The senior industrialist can help the firm overcome the barrier of cost by explaining the nature of the Support for Marketing scheme's contribution towards the cost of the consultancy project. He can also play an important role in making firms more aware of the benefits of marketing planning and the role of the marketing consultant.

ii) Another important reason is that most of the firms, i.e. about 75%, (Table 8.9) had not previously used a marketing consultant and as such did not have any experience of using a marketing consultant. There was thus a need to explain not only the nature of the help and of strategic planning, but

also that of marketing consultancy and especially managing consultants.

Due to the importance of the senior industrialist's role, it was felt necessary to look at the firm's evaluation of the senior industrialist's performance. Table 8.11 shows how firms evaluate the senior industrialist.

Table 8.11 Firms' evaluation of the senior industrialist's performance.

	% OF RESPONSES				
	VERY GOOD 1	GOOD 2	AVER-AGE 3	POOR 4	VERY POOR 5
1. Explaining the nature of a strategic marketing plan. (N=93)	44.0	38.7	16.1	1.1	0.0
2. Briefing on how to manage the consultant. (N=93)	29.0	41.9	21.5	6.5	1.0
3. Overall (N=92)	46.7	34.8	15.2	2.2	1.1

As can be seen, firms find that senior industrialists were quite successful in explaining the nature of a strategic marketing project. To a lesser degree, they were also helpful in briefing firms on how to manage the consultant. Firms' overall evaluation of senior industrialists reflects that, on the whole, they achieved their objectives.

8.3.2.2 Support for Marketing's role in the choice of a consultant for the firm.

Firms could either choose the marketing consultant themselves or ask for help from the Support for Marketing scheme (Chapter One). It is interesting to see, in practice, how firms chose the consultant. Lacking previous experience with marketing consultancy, most of the firms, as expected, sought the help of the Support for Marketing scheme. About 54% of the sample had their consultant chosen by the scheme. Another 10% asked for help in the shape of a 'short list', from which they could make their own choice. Altogether nearly 2/3 of the firms needed the Support for Marketing scheme's help in choosing a consultant, but another 1/3 wanted to choose their own (Table 8.12). Recalling that about 75% of the firms had never used a marketing consultancy before, it would be interesting to see why as many as 1/3 of the sample wanted to make their own choice of consultant.

The reasons attributed to the selection of the consultant by the firms were:

- previous experience,

- others recommending the consultant,

- by using the Institute of Marketing free referral scheme,

- or because they were approached by the consultant offering to perform the service (Table 8.12).

Table 8.12 The choice of the marketing consultant.

	NO. OF CASES	% OF RESPONSE
I) Who chose the consultant? (N=94)		
1. Firm	34	36.2
2. SFM gave a short list and firm decided.	10	10.6
3. SFM	50	53.2
II) How did you choose the consultant? (N=44)		
1. Previous work experience.	16	36.4
2. Others recommended	9	20.5
3. Used Institute of Marketing free referral scheme.	6	13.6
4. Consultant approached the firm.	13	29.5

While in some cases the reason was previous satisfactory experience, in other cases it was due to the initiative of the consultant in offering his services. This latter situation could be a cause for concern, if an appropriate method of monitoring was not established. The fact is, the rather strict control process used by the Support for Marketing scheme in assessing a consultant's work avoids such concerns. This can be considered as a positive point, in that marketing consultants expend time and effort to

explain the benefits of the practice of marketing planning to the firms.

While 75% of the firms have not previously used a marketing consultant, 25% of them had. It is useful to know how the 25% evaluate their previous experience. Firms were therefore asked to describe the usefulness of their experience. Only 24 firms (25% of the sample) had used a marketing consultant before (Table 8.13). When asked how worthwhile or otherwise their experience with their previous marketing consultancy was, the following pattern of response was obtained (Table 8.13):

Table 8.13   Firms' evaluation of the value of previous experience with marketing consultant.

Did your previous experience with the marketing consultant prove to be a worthwhile experience?	FREQUENCY (N=23)	% OF RESPONSE
VERY WORTHWHILE	5	21.7
QUITE WORTHWHILE	6	26.1
AVERAGE	5	21.7
POOR	4	17.4
VERY POOR	3	13.0

Firms expressed mixed feelings regarding its value, but altogether nearly 48% of the firms found their previous experience worthwhile or very worthwhile.

8.3.3   EVALUATION OF THE CONSULTANT

Two questions were used to examine the consultant's familiarity with the business, and its relevance. Firms were asked:

"How familiar was the consultant with the general type of your business?" (Question 2.34), and

"How relevant is it for the consultant to be knowledgeable about the general type of a firm's business in order to produce a good report?" (Question 2.34).

A five point scale was used for this question where 1 indicated "highly relevant" and 5 "not relevant at all".

Table 8.14 shows that 74% of the firms found the consultant's familiarity with the general nature of a firm's business highly relevant or quite relevant.

Although firms find the familiarity aspect relevant, in practice not all consultants were familiar with the type of business with which they were dealing. As Table 8.14 shows, most of the consultants were unfamiliar with the business, but had the ability to rapidly understand it.

The next question of interest is to see how well consultants performed their role. A number of questions described the firms' evaluation of the consultant. Firms were asked to

score consultants for a number of statements (Table 8.15),
using a scale of 1 (very good) to 5 (very poor).

As Table 8.15 shows, in general, the level of satisfaction
with the consultants along different variables is quite
high.

Another question of interest was to see how well the
consultant's report was communicated to the client firm.
Firms were asked to rate the comprehensibility of the report
along a five point scale, where 1 indicated "very easy to
understand" and 5 "very difficult to understand". Most of
the firms understood the report. In fact as many as 94% of
the sample scored it 1 or 2. The firms' overall evaluation
of the consultant is shown in Figure 8.12 which shows the
overall evaluation of the consultant in a similar light.
About 70% of the firms found that consultants perform a
'good' or 'very good' job.

It would be also interesting to see if the level of
satisfaction is related to who chooses the consultant. A
cross-tabulation of choice and satisfaction with the
consultant shows that the rate of satisfaction is almost the
same for both cases (Table 8.16).

Table 8.14   Familiarity of the consultant with firms'
             business and its relevance

	NO. OF CASES	% OF RESPONSE
I) How familiar was the consultant with the general type of your business? (N=96)		
1. Totally familiar with the business	27	28.1
2. Unfamiliar, but had an ability to speedily understand it.	57	59.4
3. A poor grasp of the business and incapable of getting a better grasp of it.	12	12.5
II) How relevant is it to be familiar? (N=96)		
1. Highly relevant	35	36.5
2. Quite relevant	36	37.5
3. Relevant	14	14.6
4. Marginally relevant	8	8.3
5. Not relevant at all	3	3.1

Table 8.15 Firms' evaluation of the consultant.

	% OF RESPONSES				
	VERY GOOD 1	GOOD 2	AVER-AGE 3	POOR 4	VERY POOR 5
1. Ability to communicate with and relate to people. (N=96)	52.1	28.1	17.7	1.0	1.0
2. Ability to understand and adapt to specific needs of the individual firm. (N=96)	32.3	39.6	12.5	11.5	4.2
3. Competence and professionalism. (N=96)	54.2	24.0	17.7	4.2	0.0
4. Ability to understand and define the key problems. (N=95)	42.1	29.5	10.5	12.6	5.3
5. Ability to provide sound recommendations. (N=96)	36.5	27.1	17.7	11.5	7.3
6. Enthusiasm and active involvement in the project. (N=96)	54.2	28.1	13.5	1.0	3.1
7. The quality of the report produced by the consultant (N=96)	36.5	33.3	10.4	9.4	10.4

FIGURE 8.12 CONSULTANT PERFORMANCE

PERCENT

OVERALL ASSESSMENT OF THE CONSULTANT
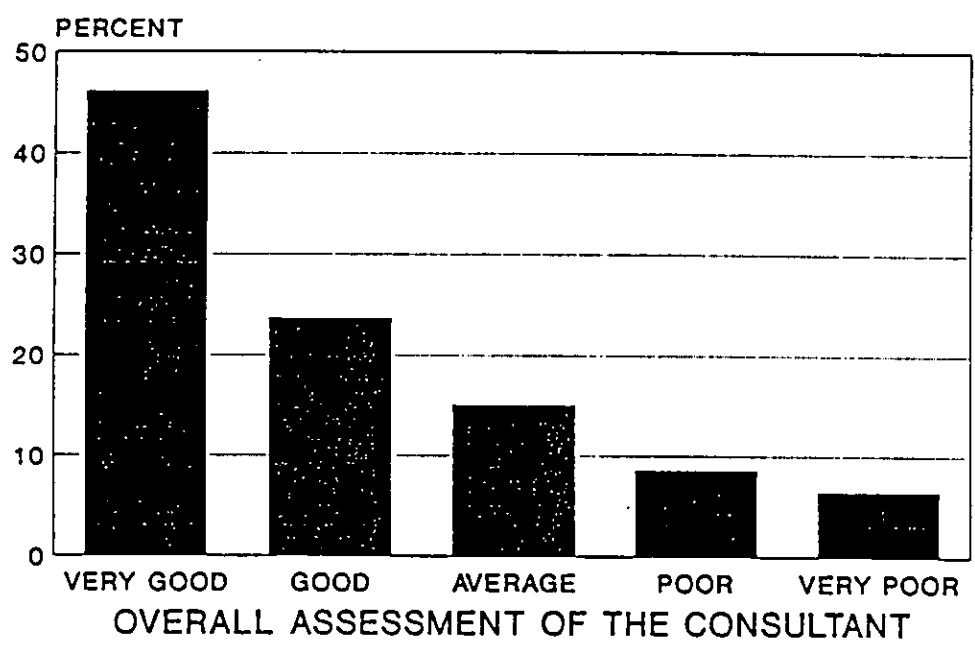
N•93

Table 8.16 Cross-tabulation of the choice of consultant and satisfaction with the consultant

Who chose the consultant?	Overall assessment of the consultant.					
	VERY GOOD	GOOD	AVE-RAGE	POOR	VERY POOR	ROW TOTAL
Firm	17	7	4	3	2	33 36.3%
SFM gave a short list and firm selected	6	1	1	1	1	10 11.0%
SFM	20	14	8	3	3	48 52.7%
COLUMN TOTAL(Frequency) Percentage	43 47.3	22 24.2	13 14.3	7 7.7	6 6.6	91 100.0%

8.3.4 EVALUATION OF THE INTERVENTION AND THE RELATIONSHIPS

So far, the firms' evaluation of the SFM scheme and consultancy in descriptive terms has been discussed. The results show that there is a high level of satisfaction with the SFM scheme and the consultant, and generally speaking the experience has proved to be good value for money. The results however neither identify any relationship between the variables, nor the nature of any such relationship. At this stage, the interest lies in determining the relationship between evaluation of the SFM scheme and evaluation of the consultant. The value of the intervention to the firm and its relationship with the evaluation of the SFM scheme and consultant will also be considered. It is

interesting to see how any such value is related to the operation of the scheme and performance of the consultant.

The logical question is why value to the firm and its relationship with the operation of the SFM scheme and performance of the consultant is important? The answer is that if an organisation's view of the intervention is not positive, if it is not believed that the scheme has contributed in some way, it is unlikely that marketing planning will be implemented in the organisation. Marketing consultancy is a very delicate service. While a manufacturing or computer consultant enters into a firm and at the end of the project leaves a physical product in there, the marketing consultant leaves no tangible product. The only tangible product is a pack of papers. If some of the recommendations seem to be risky the firm's immediate reaction is not to implement them. After all, they argue, the consultant has nothing at stake and the firm has to bear all the risks.

It is therefore important to see what value firms attach to the SFM scheme, and how the perceived value relates to the evaluation of consultant/scheme.

The variables that will be used to evaluate the scheme are:

Overall evaluation of the scheme in terms of concept

Overall evaluation of the scheme in terms of execution, and

Whether or not firms would recommend the scheme to others.

It was thought that these were the three key variables that could explain firms' evaluation of the SFM scheme. The variable that represented and most effectively summarised firms' evaluation of the consultant was "the overall assessment of the consultant". A number of relationships among the following variables were considered:

- firms' evaluation of the scheme in terms of concept and execution,

- the value of the scheme to the firms,

- firms' evaluation of the consultant,

- recommendation of the scheme to other firms.

8.3.4.1 Value to the firm, evaluation of the SFM scheme and consultant

The hierarchical log-linear technique was used to investigate for any relationship between "value of the scheme" and the evaluation of the scheme in terms of "concept" and "execution".

The results show no relationship between the "value of the scheme" and "evaluation of the scheme in terms of concept". However, the model shows that there is interaction between the scheme in terms of execution and its value to the firm. The difference in the results suggests, not surprisingly, that although firms attach high value to the planning

concept and its usefulness, once they become aware of it, they find it of value only if performed properly.

As to the nature of the relationship, the linear-by-linear association model for ordinal data (Appendix 7.5) indicates the existence of a positive relationship between the two variables (Figure 8.13). This result indicates that the value of the SFM scheme is judged in terms of its quality of execution.

Figure 8.13   Relationship between "value to the firm" and the "evaluation of the SFM scheme in terms of execution".

```
┌─────────────┐                    ┌─────────────┐
│  VALUE TO   │  <─────────────>   │  SCHEME IN  │
│  THE FIRM   │          +         │  TERMS OF   │
│             │                    │  EXECUTION  │
└─────────────┘                    └─────────────┘
```
$\Omega = 0.58$ $Z = 3.92$
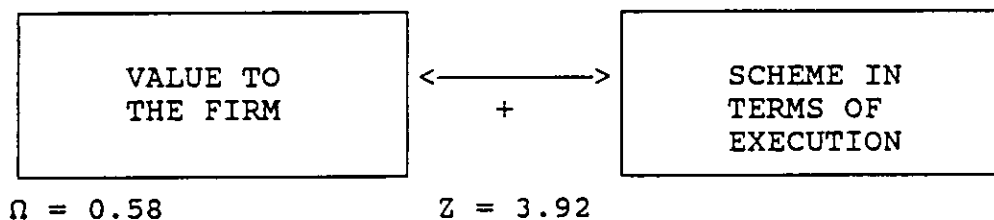
The importance of the role of an external expert has already been discussed (Chapter Five). The next issue is whether or not evaluation of the scheme in terms of concept and execution relates to the evaluation of the consultant. While the scheme in terms of concept has no relationship with evaluation of the consultant, the quality of execution is affected by the evaluation of the consultant. Further analysis shows that not only is there an interaction but it is of a positive nature (Figure 8.14). This result identifies how the operation of the SFM scheme is judged in

terms of its main element: the consultant and his performance.

Figure 8.14   Relationship between evaluation of the consultant and the "evaluation of the SFM scheme in terms of execution".

```
┌─────────────────┐                    ┌─────────────────┐
│   EVALUATION    │  <───────────>     │   SCHEME IN     │
│       OF        │        +           │   TERMS OF      │
│   CONSULTANT    │                    │   EXECUTION     │
└─────────────────┘                    └─────────────────┘
$\Omega = 0.88$              $Z = 4.39$
```
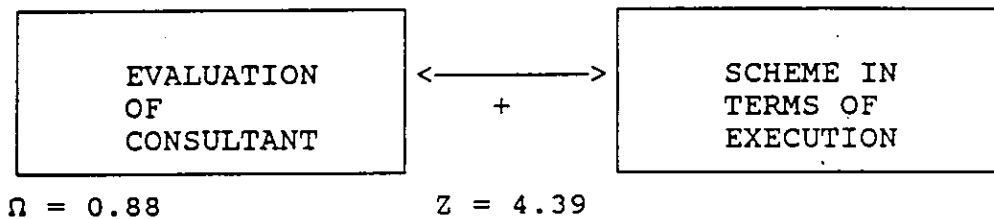
It would be interesting to see the relationship between the variables in a three-way interaction (Appendix 7.5). A three-level hierarchical log-linear model was used to see the relationship between three variables: "the value of the scheme to the firm", "evaluation of the consultant" and the "evaluation of the scheme in terms of concept".

As explained before (Appendix 7.5), the backward elimination procedure (Benedetti and Brown, 1978) was used for model selection. The result shows that there is no three-way interaction. The two-way interaction shows that the consultant's performance has an impact on the assessment of the SFM scheme in terms of its value contribution. Neither the value to the firm, nor the evaluation of the consultant, are influenced by the evaluation of the SFM scheme in terms of concept.

What would be the result, if the scheme in terms of the concept variable were to be replaced by the scheme in terms of the execution variable?

In this case, although three-way interaction is again absent, there are two important two-way interactions which confirm previous results: the first interaction indicates that the consultant's performance affects the value of the SFM scheme to the firm, and the second two-way interaction confirms that the evaluation of the scheme in terms of execution is related to the firm's overall evaluation of the consultant.

The relationships clearly indicate that the value and usefulness of the exercise to the firm are related to the performance of the consultant and the way the SFM scheme operates.

Another interesting question would be how the value of the SFM scheme is related to the level of recommendation to other firms and to the firm's evaluation of the consultant. A three-level hierarchical log-linear model was used to verify the relationship between three variables: value of the scheme to the firm, if firms would recommend the scheme to others, and the firm's overall evaluation of the consultant.

This result does not identify a three-way interaction, but an interesting relationship emerges: the interaction of

value to the firm, and recommendation of the SFM scheme to others. The linear-by-linear association model for ordinal data produces $\Omega = 1.02$ and Z value of 4.25, which indicates that there is a significant, positive relationship. This indicates, as would be expected, that firms tend to recommend the SFM scheme to others more enthusiastically, only when it is considered to be good value (Figure 8.15).

Figure 8.15   Three way interaction of value to the firm, assessment of consultant and recommending the SFM scheme to other firms.
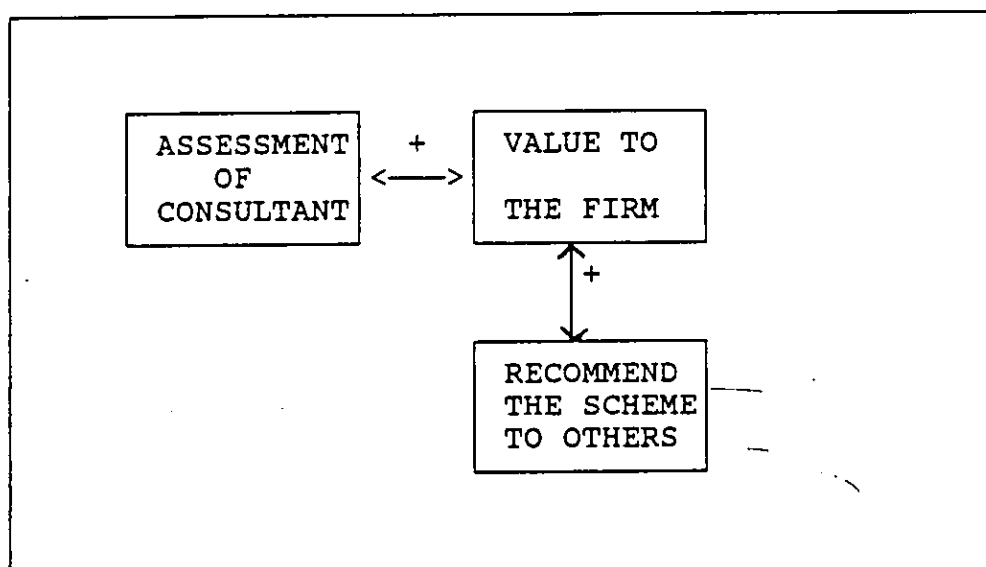
8.3.5   FIRM'S CHARACTERISTICS AND THE VALUE OF THE SFM SCHEME.

The results show that the value of the SFM scheme to a firm is related to a number of factors such as the operation of the SFM scheme and the performance of the consultant. But is the value of the SFM scheme related to a firm's characteristics? Do firms with differing characteristics benefit differently from the SFM scheme?

The relationships between value to a firm and the following variables were considered:

- the existence of business and marketing planning from the firm's and the senior industrialist's point of view.

- allocation of marketing responsibility within the firm.

- turnover.

- number of employees.

- number of years that firms have been in business.

Indeed, the hierarchical log-linear models found no relationship between perceived value of the SFM scheme and firms' characteristics. The results show that the benefit firms receive from the SFM scheme's intervention is greatly influenced by the operation of the scheme and the consultant's performance, rather than by a firms' characteristics.

8.4 SUMMARY

This chapter delineated the objective of the two results chapters as follows:

- the situation of firms at the beginning of the project,

- the process of planning and its evaluation by a firm and

- the impact and outcome of the intervention.

The two first points were dealt with in this chapter. A summary of each will be presented in the following paragraphs:

8.4.1 SUMMARY OF THE SITUATION IN FIRMS PRIOR TO THE SFM SCHEME'S INTERVENTION.

In this chapter the situation in firms prior to the SFM scheme's intervention was reviewed. The findings mostly confirm, as the literature suggests, that firstly, the practice of marketing planning in the small and medium sized firm is very limited (Pettit and Lynch, 1986; Watkin and Blackburn, 1986). Allocation of marketing responsibility reflects the little attention paid to the marketing function. This study also confirms the previous findings (McDonald, 1982 - a; Greenley, 1983 - b) that there is a gap between a firm's perception of the practice of marketing planning and its real incidence. This disparity affected the relationship between marketing planning and allocation of marketing responsibility. While from a firm's point of view there was a relationship, from the senior industrialist's point of view, any claimed interaction was non-existent. Literature also suggests that there is a relationship between marketing planning and business planning and that the former logically should follow the latter (Higgins, 1980, O'Shaughnessy, 1988). This study shows that not only the suggested hierarchy is present in this sample, but that there is a positive relationship between business and marketing planning. Allocation of marketing responsibility was also found to be related to size in terms of turnover

and number of employees, a conclusion consistent with
McDonald's (1982) proposals.

Figure 8.16 summarises the relationships within firms before
intervention of Support for Marketing.

Figure 8.16 Summary of relationships before the
              intervention.
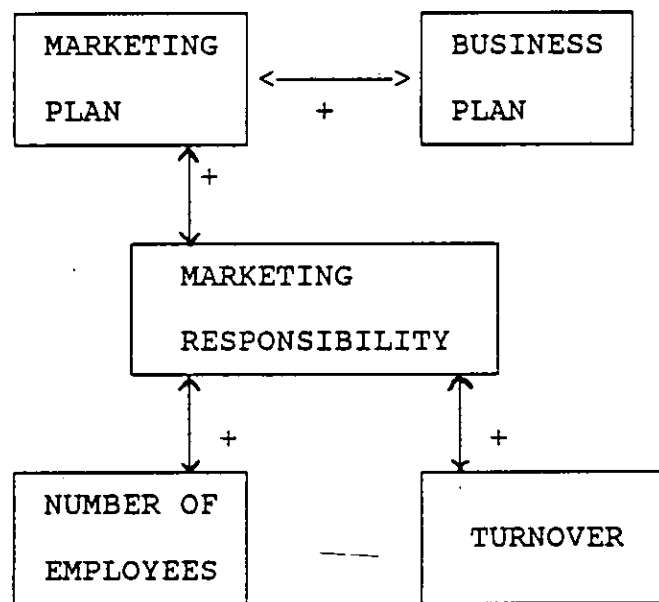
**8.4.2   SUMMARY OF THE EVALUATION OF THE INTERVENTION AND THE
          RELATIONSHIPS**

Figure 8.17 summarizes all the relationships so far obtained
in connection with the evaluation of the scheme, that of the
consultant, and the value of the scheme to the firm.

Figure 8.17 Summary of relationships evaluating the
            intervention.

```
                    ┌───────────────┐
                    │ SCHEME IN     │
                    │ TERMS OF      │
                    │ CONCEPT       │
                    └───────────────┘


┌───────────────┐       ┌───────────────┐       ┌───────────────┐
│ SCHEME IN     │   +   │ VALUE TO      │   +   │ ASSESSMENT    │
│ TERMS OF      │ <───> │               │ <───> │ OF            │
│ EXECUTION     │       │ THE FIRM      │       │ CONSULTANT    │
└───────────────┘       └───────────────┘       └───────────────┘
                               ↑ +
                               │
                               ↓
                        ┌───────────────┐
                        │ RECOMMEND     │
                        │ THE SCHEME    │
                        │ TO OTHERS     │
                        └───────────────┘
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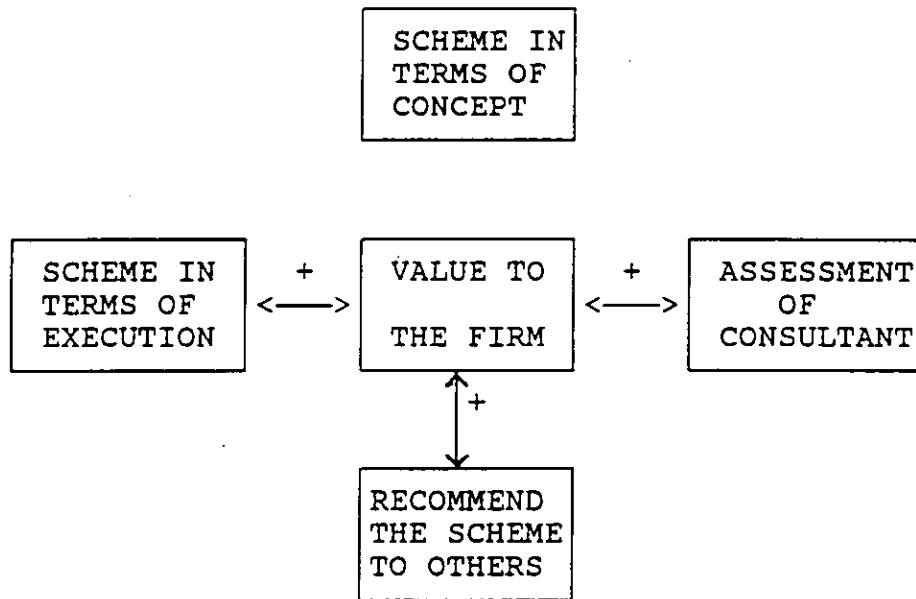
What the results show is that the performance of the
consultant and operation of the scheme influence the
perceived value to the firm. In other words, in order to
have effective marketing planning it is necessary for both
the consultant and the Support for Marketing scheme to
perform well. Only then do firms find the SFM scheme
valuable and recommend it to other firms.

CHAPTER NINE THE IMPACT OF SFM INTERVENTION

Chapter eight looked at the situation of firms at the beginning of the project and firm's evaluation of the Support for Marketing scheme and consultancy process. This chapter looks at the impact and outcome of the exercise.

Impact of the SFM scheme in increasing knowledgeability within firms is considered. Factor analysis technique is used to reduce the knowledgeability variables to a few factors. The relationships of the knowledgeability factors with other variables are then considered, using hierarchical log-linear technique and logit models (Appendix 7.5).

The impact of the SFM scheme on performance is also considered. Through factor analysis the performance variables are reduced to a few factors. The relationships of the performance, represented by these factors and other variables are also identified.

9.1 THE IMPACT OF THE INTERVENTION ON KNOWLEDGEABILITY

9.1.1 INTRODUCTION

Firms found the scheme to be 'very good value' or 'good value' in many cases, and generally speaking, the level of satisfaction with the experience was high. It was also argued that due to the shortness of elapsed time since the completion of the project (Chapter Eight), the financial returns are not yet fully apparent. It is interesting to see why firms find the scheme of value and why they would recommend it to others. In other words, what other benefits has the SFM scheme brought to the firm?

Based on the traditional approach the value of the scheme is related to the degree of implementation of the recommendations contained in the plan produced by the external expert, and the degree to which the implementation of results leads to better performance.

As argued before (Chapter Eight), the value of external intervention cannot be assessed merely based on the implementation of the recommendations contained in the plan. The interaction with the expert also has an important influence on increasing knowledgeability and awareness towards marketing issues and marketing planning. Such an impact is suggested not only by theoretical literature (see Chapters Two and Five). The pilot-interviews with the managing directors of the firms also gave clear signals of such an effect. With this background, a number of questions

were included in the questionnaire, which measured the
likely effect of the intervention in increasing awareness
and knowledgeability of marketing and marketing planning
issues.

9.1.2   IMPACT OF THE SFM SCHEME IN INCREASING KNOWLEDGE

There were a number of questions related to the impact of
the scheme in increasing marketing knowledge within the firm
(Questions 2.1 to 2.17 of the questionnaire, Appendix 7.2).
The respondents were asked to rate a number of statements on
a scale of 1 to 5 (strongly agree to strongly disagree).
Table 9.1 shows the percentage of responses for each
category on the scale and the mean value for each variable.
As can be seen the process of planning has an effect on
increasing knowledgeability, which was stronger in issues
related to marketing planning, such as targeting of the
market, identifying new opportunities, assessing strengths
and weaknesses of the firm and understanding the firm and
its position in the market.

As the table shows, there is general agreement on the impact
of the Support for Marketing scheme in increasing
knowledgeability in the firm. Although this result is
appealing, the real interest lies in looking at the
relationship of this knowledgeability to other variables.

Table 9.1 Knowledgeability variables, their mean and
percentage of responses for each score.

VARIABLES	MEAN	% OF RESPONSES TO EACH SCORE				
		1	2	3	4	5
Mgment/staff learned great deal	2.44	23	37	23	8	10
Accurately target market.	2.43	17	48	16	11	8
Develop advert. strategy.	3.08	5	29	35	16	17
Identify new opportunities.	2.59	17	40	24	8	12
Develop price strategy.	3.31	5	22	31	21	21
Assess s/w of organ/skills.	2.21	26	44	17	10	3
To assess s/w product.	2.55	11	46	22	18	2
Reduce dependency few cust.	3.22	1	25	41	16	17
Mkg. awareness throughout.	2.79	8	37	30	17	8
Improve internal efficiency.	3.14	6	27	27	26	14
Reduce dependency few supp.	3.76	2	7	27	42	22
Increase mkg awar.those involv	2.20	21	56	11	7	6
Understand consumer satisfact.	2.91	6	40	25	17	12
Understand competition.	2.59	7	56	20	7	11
Understanding of customers.	2.83	5	42	28	16	10
Understanding firm and posit.	2.35	15	55	16	8	6

s/w = strengths and weaknesses
1 = strongly agree   2 = agree
3 = neither agree nor disagree
4 = disagree   5 = strongly disagree

However, it may prove difficult to use the results in the current form as a knowledgeability measure for relating it to other variables. As discussed in Chapter Seven, factor analysis is used to determine the relationships among a total set of interacting variables. In factor analysis, when the observed variables correlate highly with one-other, they are re-arranged into a smaller set of categories called 'factors' so that it becomes possible to work with a smaller set of variables. Therefore, factor analysis can be applied to knowledgeability variables to determine if they can be represented by a reduced number of variables (factors). This smaller set will be used to determine the relationships of knowledgeability with other variables. Working with a smaller number of variables is easier and offers a clearer picture of the essential relationships.

9.1.3 FACTOR ANALYSIS APPLIED TO KNOWLEDGEABILITY VARIABLES

As discussed before (Appendix 7.4), the appropriateness of the factor model should be considered. The application of the measures for appropriateness suggested the exclusion of one variable, which basically was due to the following methodological considerations:

The first aspect to look at was the factor matrix. Considering the correlations between variables in the factor matrix, it was recognized that all but one variable had high correlations with a number of other variables. This variable represented the statement, "The project helped in

reinforcing and confirming our existing marketing activities" (variable IK2-14). The highest correlation for this variable was 0.25, which is quite low. The small correlation between this variable and other variables suggests its exclusion. All other variables had high correlations and thus were acceptable.

Two other measures were also used to verify the suitability of the factor model:

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated for every single variable (Norusis, 1985). The KMO measure for all variables (excluding IK2-14) ranged from 0.67 to 0.86. In the case of only two variables was this measure under 0.70; all the rest were greater than 0.70. The KMO statistic for one of the variables (IK2-14, discussed above) was 0.49. The low KMO value for this variable again suggested its isolation from the analysis. The exclusion improved the overall KMO measure (for all the variables). While the inclusion of IK2-14 produces a KMO statistic of 0.764, its exclusion produces 0.845.

The factor analysis technique was, therefore, applied to the knowledgeability variables. Table 9.2 shows the communalities and the eigenvalues for the knowledgeability variables.

The eigenvalue for factor 1 is 6.83367, which represents 42.7% of total variance.

Using the eigenvalue rule, three factors are identified which together explain 58.1% of total variance.

Table 9.2   Communalities and eigenvalues for the
            knowledgeability variables.

VARIABLE	COMMUNALITY	*	FACTOR	EIGENVALUE	PCT OF VAR	CUM PCT
IK2_1	.60034	*	1	6.83367	42.7	42.7
IK2_2	.65623	*	2	1.36883	8.6	51.3
IK2_3	.62730	*	3	1.09569	6.8	58.1
IK2_4	.55159	*				
IK2_5	.60825	*				
IK2_6	.49140	*				
IK2_7	.37705	*				
IK2_8	.63952	*				
IK2_9	.58897	*				
IK2_10	.66250	*				
IK211A	.53378	*				
IK211B	.60081	*				
IK2_12	.52429	*				
IK2_13	.53535	*				
IK2_15	.53370	*				
IK2_16	.76712	*				

VARIMAX   ROTATION 1 FOR EXTRACTION 1 IN ANALYSIS 1 - KAISER NORMALIZATION.

Table 9.3 shows the three principal components in the rotated factor matrix. Correlation between factor 1 and the first variable in the list is .799.

As mentioned in Appendix 7.4, one of the problems of factor analysis is its subjectivity. There have been attempts to introduce more rigour into the technique by proposing certain rules. Comrey (1973) uses factor loadings to establish the boundaries of acceptancy. As factor loadings are the correlation between factors and variables, the

question of level of acceptability arises. Small value for a factor loading signifies that the correlation between the particular variable and factor is low and as such the factor cannot explain the variable adequately. What level of correlation can be considered as acceptable and meaningful? Comrey (1973) suggests the following boundaries for loadings:

Loadings > .71 (50% variance): excellent

0.63 < Loadings < .71 (40% variance): very good

0.55 < Loadings < .63 (30% variance): good

0.45 < Loadings < .55 (20% variance): fair

0.32 < Loadings < .45 (10% variance): poor

Loadings in this case agree with the above mentioned requirements. A closer look at the grouping of the variables that forms a factor suggests the following factors:

Increased knowledgeability of *marketing operation* (Factor 1)
Increased knowledgeability of *marketing strategy* (Factor 2)
Increased *marketing awareness* (Factor 3).

The next step in the study is to look at the relationship of the knowledgeability factors with other variables. To use the knowledgeability factors as new variables, the principal component factor scores are used (Appendix 7.4). The normalized value of all the cases along each variable is multiplied by the corresponding factor scores and summed up. The results obtained in this mode for knowledgeability

factors are in a continuous variable form. Obviously there is a need to convert them into categorical data if log-linear analysis is to be used. Normalizing and redistributing the results according to the normal distribution gives a single measure for each knowledgeability factor. This measure was used in the further analyses (Appendix 9.1 shows the procedure).

9.1.4 KNOWLEDGEABILITY FACTORS AND THEIR RELATIONSHIP WITH OTHER VARIABLES

The impact of the SFM scheme on knowledgeability of firms and their awareness towards marketing planning and its benefits has been considered. In this section the relationship of the knowledgeability factors with other variables will be reviewed. Evaluation of knowledgeability variables was measured using self-assessment by the respondents, which may give rise to significant differences (Oppenheim, 1966). Nevertheless, regarding this study, a number of points need to be clarified:

- As it was mentioned before (Chapter Eight), the cost of the SFM scheme was a major issue for small/medium sized firms, who were highly cost-conscious and as a result, very critical of the claimed benefits of the SFM scheme. This was very apparent in the interviews and later, in the survey. Therefore, they would be unlikely to attribute value to the SFM scheme where it did not genuinely contribute.

Table 9.3 Factor analysis of knowledgeability variables

Factor 1	Factor 2	Factor 3	Variables
.799			Mgment/staff learnt a great deal
.727			Accurately target market.
.719			Develop advert. strategy.
.676			Identify new opportunities.
.516			Develop price strategy.
	.701		Assess s/w of organ/skills.
	.686		To assess s/w product.
	.654		Reduce dependency few cust.
	.538		Mkg. awareness throughout.
	.500		Improved internal efficiency.
	.498		Reduce dependency few supp.
	.485		Increase mkg awar.those involved
		.760	Understand consumer satisfaction
		.695	Understand competition.
		.666	Understanding of customers.
		.645	Understanding firm and position.
6.83	1.39	1.09	Eigenvalues
42.7	8.6	6.8	% of Variance

Varimax rotation converging in 9 iterations.

- If there is any bias, it would not be in exaggerating the contribution of the SFM scheme. In the interviews, firms would very readily make comments such as: "no, the scheme did not help in this regard. We already knew it and were practicing it". When probed about the benefits, firms would make sure to highlight those issues that the consultants were of little help to them.

- As reported in Chapter eight, in most cases evaluation of this research confirms the appraisal of the senior industrialist. Where it differs is in the claimed area of the practice of marketing planning, which has proved to have been exaggerated by firms. Here, again, we could expect firms to underestimate the positive impact of the scheme.

- Finally, if there is a bias, would firms be rating '1' (strongly agree) instead of '2' (agree). There is little possibility that firms would rate '1' where they should have rated '4' (disagree).

9.1.4.1 Knowledgeability Factors and Firms' Characteristics

In the previous section, the impact of the SFM scheme on increased knowledgeability was discussed. It was argued earlier (Section 8.1) that the benefits firms receive from the SFM intervention may be related to the firms' characteristics. At this stage the interest lies in seeing if the impact on knowledgeability is related in any way to a firm's particular characteristics.

The hierarchical log-linear models (Appendix 7.5) were used to see the relationship between knowledgeability factors and the following variables:

- existence of marketing and business planning from the point of view of both the firm and the senior industrialist,

- the allocation of marketing responsibility within the firm,

- number of employees,

- turnover and

- number of years the firms had been trading.

Generally speaking no relationship was identified, except that: i) knowledgeability of strategic issues was related to the existence of marketing planning in the firm and ii) knowledgeability of marketing operation was related to marketing responsibility.

Although the existence of marketing planning (question 1.7 of Appendix 7.2) interacts with the marketing strategy factor, the linear-by-linear association model for ordinal data (Appendix 7.5) produces very small positive values for Ω and Z value ($\Omega=0.02$ and Z value=0.027). The result indicates a positive relationship, but has to be considered with caution due to the reduced value of Ω and Z value. The same situation is present in the case of the allocation of

marketing responsibility and the increased knowledgeability of marketing operation. Although hierarchical log-linear model identified a relationship, but the positive values for Ω and Z value are quite small $\Omega=0.048$ and Z value=0.72). This positive relationship again needs to be considered with caution.

The results show that any relationships between the knowledgeability factors and firms' characteristics are few and inconclusive, which implies that the benefits received in terms of knowledgeability are little related to the characteristics of the firm. Is there any relationship between knowledgeability factors and the operation of the SFM scheme? The next step is to look at the relationships between knowledgeability factors and variables that describe the SFM scheme and the marketing consultancy.

9.1.4.2 Impact on knowledge and evaluation of the scheme/consultant

The relationship between "value of the SFM scheme to the firm" and "evaluation of the SFM scheme" and "consultant" has been discussed in Section 8.3. It has also been previously argued that the planning process and the external expert can play an important role in increasing client capability. It is now useful to determine the nature of any relationship between the knowledgeability factors and evaluation of the consultant and the scheme.

The hierarchical log-linear models (Appendix 7.5) were used, and showed that value to the firm interacts with two knowledgeability factors: 'marketing awareness' and 'marketing strategy'. For the marketing strategy factor and the value to the firm, the linear-by-linear association model for ordinal data produces $\Omega=0.198$ and the Z value of 3.21, which is indicative of a positive relationship. For marketing awareness and value to the firm the Ω value is 0.27 and the Z value is 4.25. The results show that firms will find the scheme to be good value for money if their marketing awareness and knowlegeability of marketing strategy issues are increased.

This relationship confirms the proposed hypothesis that not only is there an effect on knowledgeability of the firms, but also the value of the exercise is seen to be related to marketing awareness and marketing strategy issues.

The next step is to look at the consultant performance and the knowledgeability factors. Theory suggests that the value of consultancy lies in its ability to augment the knowledgeability and capability of the client firm (Chapter Five). Is this value acknowledged and appreciated by the firm? Do firms judge consultants in terms of their contribution to knowledge? By looking at the relationship between knowledgeability factors and evaluation of the consultant, these questions can be answered.

Hierarchical log-linear models confirmed that there is an interaction between two of the knowledgeability factors and the consultant performance. The knowledgeability factors that related positively to consultant performance were marketing awareness and increased knowledgeability of marketing strategy. To see the nature of the relationship, the linear-by-linear association model for ordinal data was used which identified the existence of a positive relationship. The positive association implies that higher levels of knowledgeability are associated with higher scores for the overall evaluation of the consultant.

The positive relationships confirm that the value of consultancy lies in its ability to augment the knowledgeability of the client, and supports the clinical approach that the object of the expert should be to bring organisational development to the firm.

Would firms recommend the scheme, based on the effect it had on their knowledgeability? The next issue of interest is to see if the impact on knowledgeability of the firms will increase the chances of their recommending it to others. The hierarchical log-linear models show relationships between this variable and the same two factors, (i.e., marketing awareness and increased knowledgeability of marketing strategy). The linear-by-linear association model for ordinal data identifies that the relationships are positive. The result therefore shows that the higher level of

increased knowledgeability results in stronger support and increased recommendation of the scheme to others.

As described earlier (Chapter One), to operate, the SFM scheme must interact with the firm. Recalling the operation of the SFM scheme, involvement in the review and approval of the terms of reference and the consultant's report, and specially the senior industrialist's role, it is legitimate to expect that the process of intervention may influence the knowledgeability of the firms. The interest at this stage is to see if the operation of the SFM scheme influenced the knowledgeability of the firm. The hierarchical log-linear model identified a relationship between the marketing awareness factor and operation of the scheme which the linear-by-linear association model for ordinal data identified as positive. This relationship shows that the operation of the scheme can contribute to marketing awareness.

Figure 9.1 summarizes all the relationships discussed in this section and provides the Ω and Z values for all the relevant relationships.

9.1.4.3 Knowledgeability Factors and Implementation of Recommendations

Increased marketing awareness and knowledgeability cannot be looked at as an end in itself, so much as a means to an end. Thus the value of the impact on knowledgeability can be judged by its impact on other aspects of the firm.

Knowledgeability factors can be viewed as the intermediary variables that facilitate and lead to the achievement of other objectives. In the hypotheses that were developed in Chapter Seven, it was argued that increased knowledgeability can have an impact on implementation of the recommendations. In this section, the relationships between knowledgeability factors and implementation of recommendations will be considered.

Figure 9.1   Relationships between knowledgeability factors
             and evaluation of the consultant/scheme

| MARKETING STRATEGY | <———> + | VALUE TO THE FIRM | <———> + | MARKETING AWARENESS |

$\Omega = 0.198$ $Z = 3.21$ $\Omega = 0.27$ $Z = 4.25$

| MARKETING STRATEGY | <———> + | ASSESSMENT OF CONSULT | <———> + | MARKETING AWARENESS |

$\Omega = 0.21$ $Z = 3.23$ $\Omega = 0.29$ $Z = 3.98$

| MARKETING STRATEGY | <———> | RECOMMEND THE SCHEME | <———> + | MARKETING AWARENESS |

$\Omega = 0.31$ $Z = 3.45$ $\Omega = 0.34$ $Z = 3.09$

| SCHEME IN TERMS OF EXECUTION | <———> + | MARKETING AWARENESS |

$\Omega = 0.19$ $Z = 3.16$
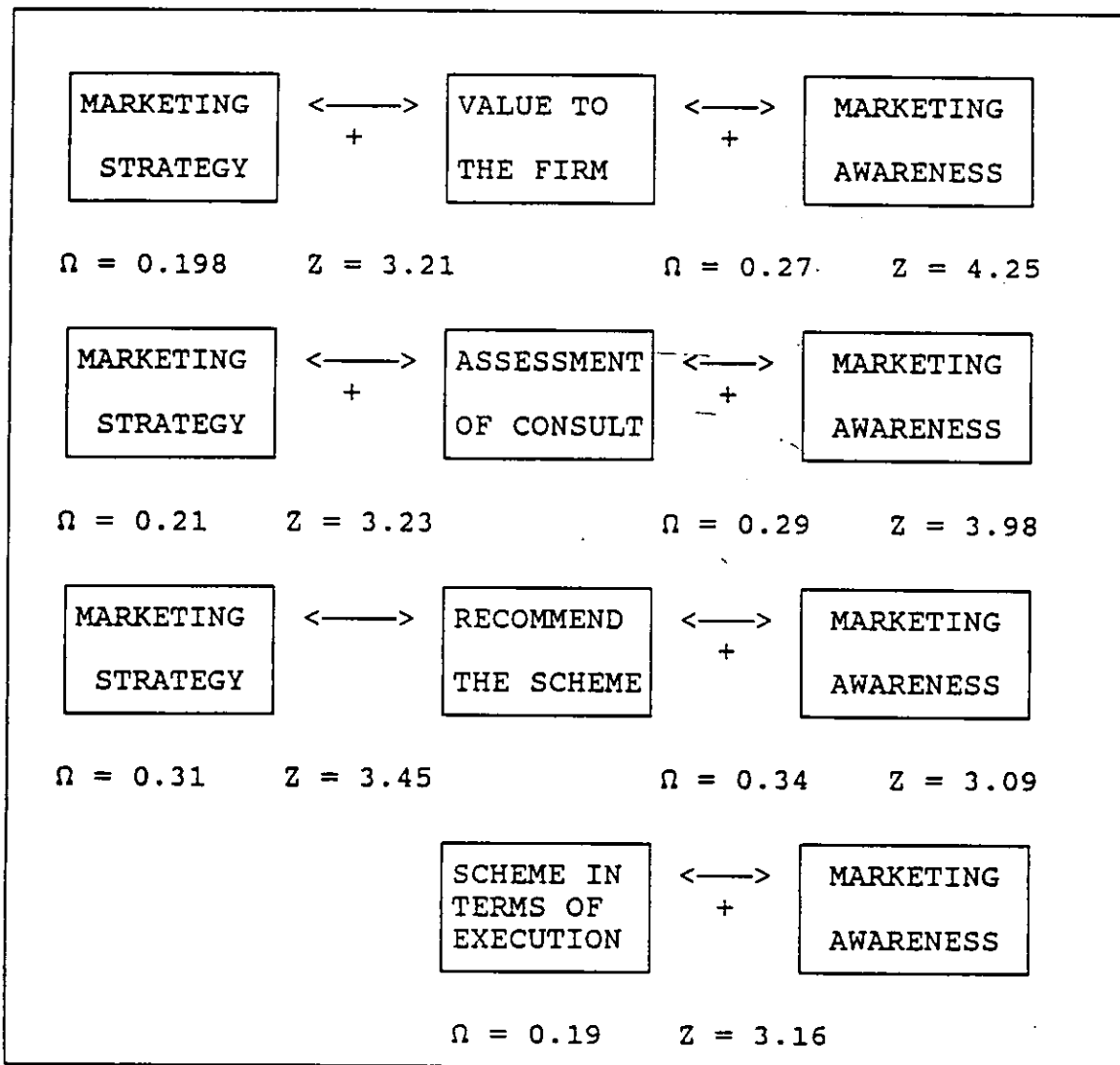
The following symbology will be used throughout Chapter Nine.

A line and double arrows (<——>) indicates that the relationship has been identified by hierarchical log-linear model and linear-by-linear association model for ordinal data.

A line (——) indicates that the relationship has only been identified by hierarchical log-linear model.

Double arrows without a line (< >) defines that the relationship has only been identified by linear-by-linear association model for ordinal data. A plus (+) or minus (-) sign shows that the relationship is positive or negative.

The hierarchical log-linear models (Appendix 7.5) were used to test the hypothesis that a relationship exists between knowledgeability measures and the implementation of recommendations contained in the strategic plan.

As Appendix 7.2 (Section 3) shows, there were a number of questions related to the implementation of recommendations.

Firms were mainly asked to respond if they had implemented the recommendations in each category, recognising the limited time for some of them to implement the recommendations offered by the consultant.

In spite of such a limitation, some preliminary results have been obtained. The results from the hierarchical log-linear models show that the implementation of recommendations regarding product/market is related to two knowledgeability factors: marketing strategy and marketing awareness. The linear-by-linear association model for ordinal data produces significant Ω and Z values for the nature of both relationships. Figure 9.2 shows the relevant results and statistics.

Figure 9.2   Relationships between knowledgeability factors and implementation of recommendations

| MARKETING STRATEGY | <———> + | IMPLEMENT. RECOMMEND. PROD./MARKET | <———> + | MARKETING AWARENESS |

$\Omega = 0.28$ $Z = 3.31$ $\Omega = 0.26$ $Z = 2.86$

| MARKETING STRATEGY | <———> + | IMPLEMENTATION OF ORG/ADMINIS. RECOMMENDATIONS |

$\Omega = 0.21$ $Z = 2.57$
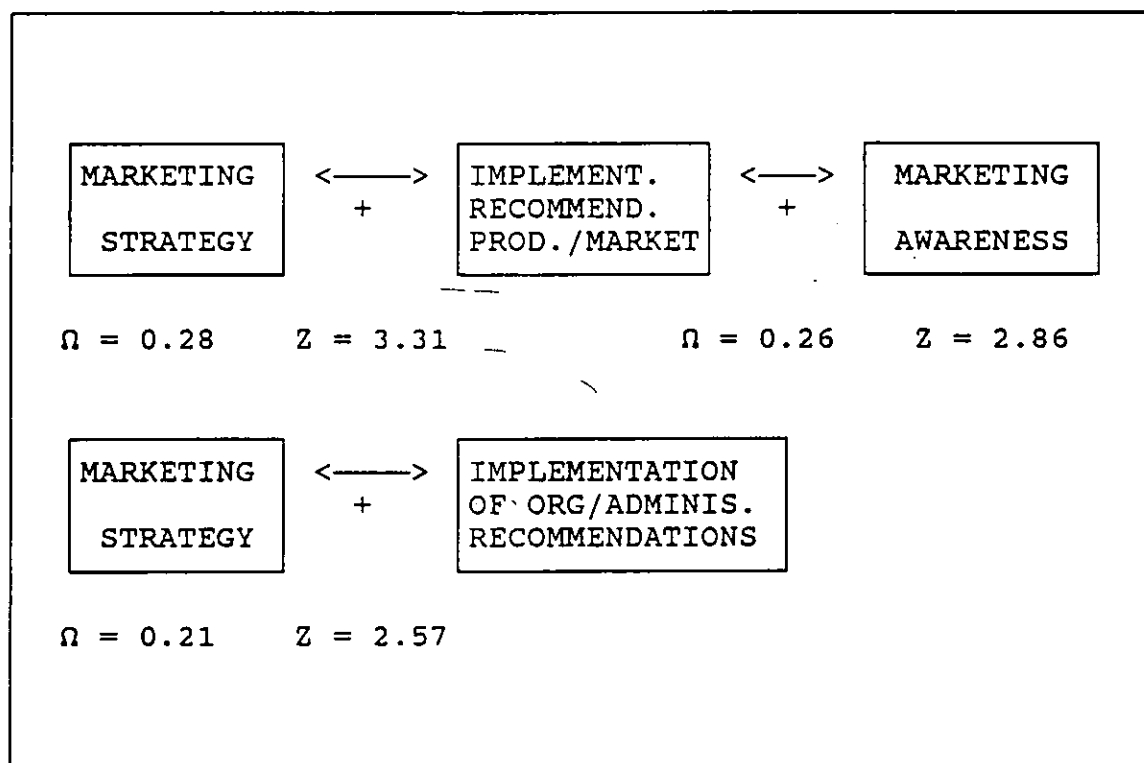
Another relationship identified through the application of the hierarchical log-linear model is the interaction between the implementation of administrative and/or organisational

recommendation and increased knowledgeability of marketing strategy. These results confirm what Ames (1970) considers as essential for effective implementation of a strategic marketing plan: a thorough understanding of the marketing concept and strategic planning by management, and the installation of administrative mechanisms for effective implementation of the concept.

9.1.4.4 Knowledgeability Factors and Further Use of Planning

To answer the question 'would knowledgeability encourage further use of planning' it is necessary first to develop a measure of further planning. Two questions in the questionnaire permit this (questions 4.3 and 4.4 of Appendix 7.2). A composite measure of the responses to each produces the following possibilities:

1. New plan revised every six months to one year.
2. Updated plan revised every 6 months to one year.
3. New or updated plan revised every two or more years.
4. An unchanged version of the original plan.

The hierarchical log-linear models were used to attempt to verify the existence of a relationship between this variable and the knowledgeability factors. No relationship was identified. However, the application of a linear-by-linear association model for ordinal data (Appendix 7.5) produces positive relationships between knowledgeability factors and further use of planning. This result needs to be interpreted

with caution: the linear-by-linear association model for ordinal data considers all data as ordinal, and as such makes an additional assumption with which the positive relationship holds, otherwise no relationship is identified. Although it is legitimate to conclude that there is some positive relationship between knowledgeability factors and further use of planning, the evidence is less convincing than with previous results, where both hierarchical log-linear and linear-by-linear association models for ordinal data identified a relationship. The significant positive values for Ω indicate that higher levels of knowledgeability are associated with more regular planning within the firm. Figure 9.3 shows the relationships and Ω and Z values.

Figure 9.3   Knowledgeability factors and further use of marketing planning
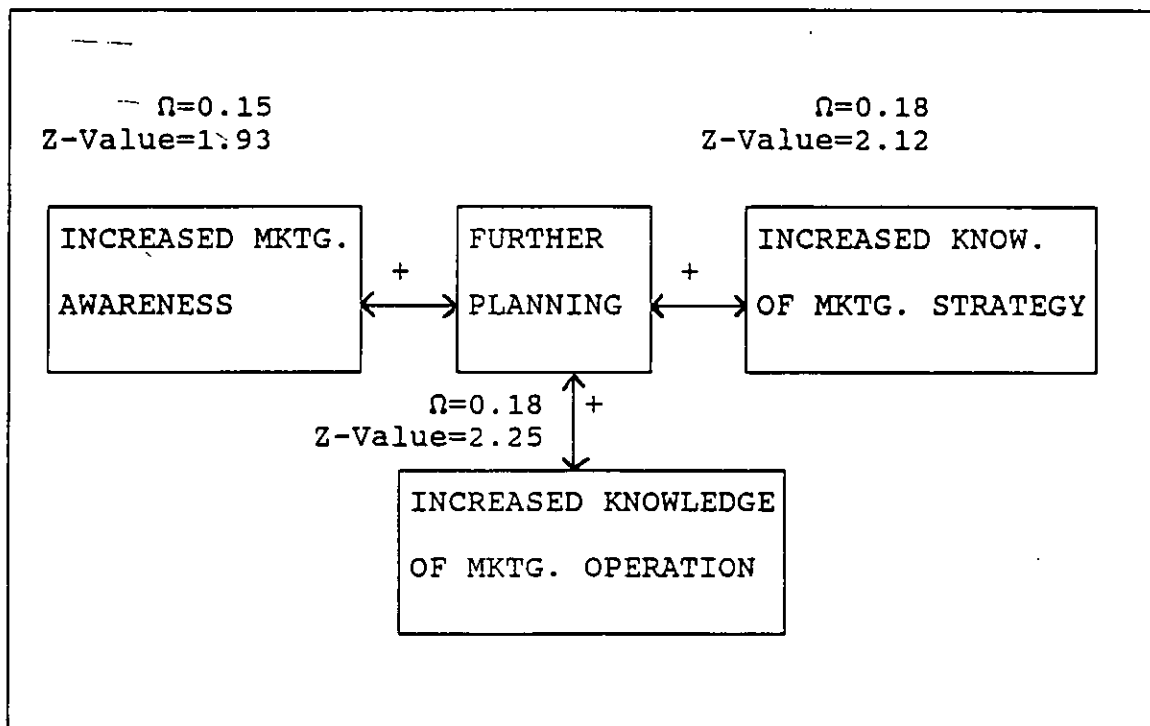
9.1.5 FURTHER USE OF PLANNING AND FIRMS' CHARACTERISTICS

The relationship of the variables that explain firms' characteristics (Section 8.1) and further use of planning (previous Section) was also considered. Two interactions were identified by the hierarchical log-linear model: the relationship between allocation of marketing responsibility and further use of planning, and the existence of business planning and further use of planning. The linear-by-linear association model for ordinal data identified that both relationships are of a positive nature (Figure 9.4).

The result implies that where there is an individual responsible for the marketing activities, the firm is more likely to follow up with planning activity.

Figure 9.4 Further planning and firms' characteristics
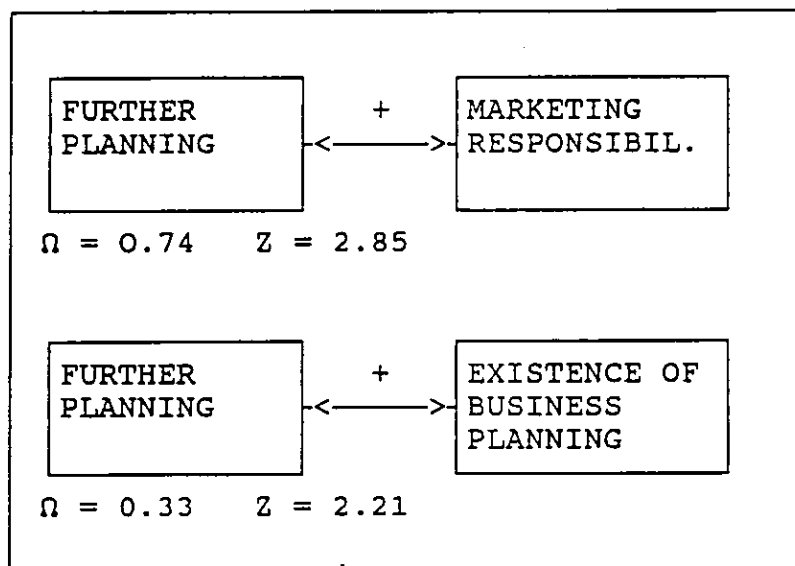
The positive relationship between the existence of business planning and further use of planning suggests that previous experience of planning has a positive effect on its further use. No relationship was identified between marketing planning and future planning. This is due to the fact that, as discussed in Chapter eight, the level of marketing planning practised in the firms was very low, and for this reason it is not possible to identify any relationship.

9.2 IMPACT OF THE SFM SCHEME ON PERFORMANCE

9.2.1 INTRODUCTION

Within the scheme it is assumed that by providing firms with a marketing consultant, with the objective of offering them a marketing plan, they will adopt a wider use and practice of marketing. Furthermore, it is implicitly assumed that the extended use of marketing planning will eventually be translated into a better performance of the small/medium sized firms, and they will become more prepared for the challenges of a competitive market (Figure 9.5).

Figure 9.5 Problem, solution and end result for the SFM scheme intervention

PROBLEM	SOLUTION	END RESULT
Firms not competitive Lack of marketing.	Provide mkg consultant to produce smp.	Improved performance. Firms more competitive.
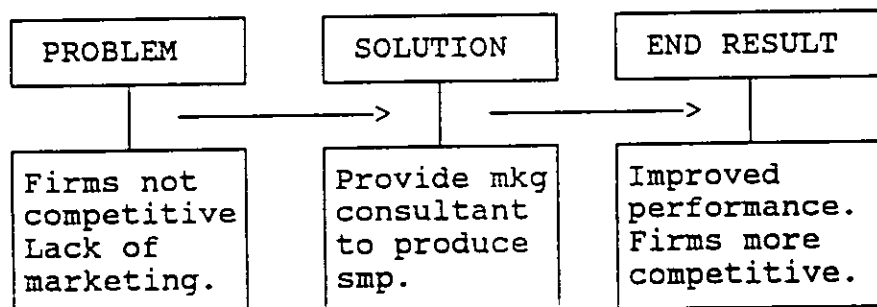
The prime motive for the firms which chose to use the SFM scheme was improvment in their performance. This has also been the ultimate objective of the scheme itself, and is an important issue to consider, but one which can only be addressed in the later stages of its use. As discussed previously (Section 8.3.2) it is too soon to address them fully at this stage, recognising the limited time available in some cases, for implementation of the consultant's recommendations. Therefore the full financial benefits of the SFM scheme can only be assessed at later stages. At most, the early results can only be viewed as an indication for further studies. To evaluate the effect of the scheme on performance it is necessary to develop tangible measures of success. The issue of planning effectiveness and the development of measures for its evaluation were discussed earlier (Chapter Three). Having identified the appropriate performance measures, it is then possible to assess—the level of performance achieved by these firms. It would- be necessary to compare the results achieved by the firms in the sample with firms that never used such a scheme but with the same characteristics, that is, to find firms with the same age, in the same business, operating in the same geographical area and having the same ownership pattern. This matched sample would work as a control group. In this way the question would concern what would have happened to the company in the absence of the SFM intervention. However, because of the time scale, it is not possible to look at the impact on performance at this stage and as such this does not constitute the main purpose of this study. Nevertheless,

in spite of the time limitations, a first step towards the evaluation of the SFM scheme on performance has been taken. It should be remembered, as discussed in Chapter Three, that the development of appropriate measures for evaluating performance is in itself a controversial problem.

9.2.2 PERFORMANCE VARIABLES

There were a number of questions in the survey aimed at evaluating the effect of the SFM scheme on the performance of the firms. They were asked (Appendix 7.2, questions 2.45 to 2.52):

How the Support for Marketing Scheme had contributed to

- increase in turnover

- improved profitability

- formulation of future plans

- expansion/entry to foreign markets.

The available scores were:

1 - A great deal

2 - Certain extent

3 - Not yet, but expected in the future

4 - Not at all

Table 9.4 shows the percentage of responses for each category on the scale and for each variable.

In spite of the short time elapsing since the completion of
the project by most of the firms, it has been possible for
the firms to identify some results. As shown in Table 9.4,
for some of the firms, the scheme had already contributed to
performance. Between 32% and 37% believe that their
turnover, profitability, market share, number of customers
and employees have improved 'a great deal' or 'to a certain
extent', as a result of the help received through the
scheme. Between 27 and 40% expect to see these benefits
appear in the future, in most cases within the next one or
two years. There has also been a stronger and more immediate
impact in the areas of providing marketing capability, a
sense of direction, and devising future plans. Between 77%
and 86% of the firms have found the process of intervention
to have already been of 'a great deal of benefit' or 'of
benefit to a certain extent' in these areas. There has also
been an impact on international competitiveness, although to
a lesser extent (between 23% and 33%). Other firms expect
that this contribution will be shown in the future (20% to
29%). Firms find that their overall performance has been
positively influenced as a result of the expert
intervention. Only 18% find no overall benefit.

Because of interrelationships between individual performance
measures, it is more meaningful to use the factors that
represent them. As each factor represents a number of
variables, far fewer variables are involved in the analysis
of the relationships. This leads to a clearer picture of the
relationships. As already discussed, factor analysis

(Chapter Seven) can be used to reduce the knowledgeability variables into a few factors.

Table 9.4   Performance variables and the percentage of responses for each score.

PERFORMANCE VARIABLES	% OF RESPONSE TO EACH SCORE			
	1	2	3	4
Contributed to increase customers.	8	29	30	33
Contributed to increase market share	6	31	33	30
Contributed to increase turnover	7	29	40	24
Contributed to improve profitability	5	27	32	36
Contributed increase no. employees.	8	24	27	41
Helped improve overall performance.	7	58	17	18
Helped devise future business plan.	29	52	1	18
Increased management self confidence	27	50	2	21
Provided greater sense of direction.	40	46	4	10
Increase marketing expertise in firm	30	48	4	18
Expansion/entry to foreign markets.	11	20	26	43
Improved direct export.	2	21	29	49
Int.competitiveness import substitu.	5	18	20	57

1 = a great deal
2 = certain extent
3 = not yet, but expected in the future
4 = not at all

9.2.3 FACTOR ANALYSIS APPLIED TO PERFORMANCE FACTORS

As the objective at this stage was also the reduction of performance measures to a few underlying dimensions (factors), the same procedures used for the knowledgeability variables were again applied: R-factoring, principal component analysis and varimax rotation (see Section 9.1.3).

Adequacy of application of factor analysis was also assessed (see Appendix 7.4). The factor matrix showed high correlations between variables. Measures of sampling adequacy ranged from 0.71 to 0.93. For only two variables was this measure under 0.80, the rest of them were above 0.80. As seen previously the results are mainly 'meritorious' or 'marvellous'. The Kaiser-Meyer-Olkin measure of sampling adequacy for all variables (0.862) and the Barlett's test of sphericity (Norusis, 1985) indicate the appropriateness of factor analysis.

For the selection of the number of factors, the eigenvalue rule was applied. The application of the rule seemed justified, as the three factors identified in this way summarized 66.4% of the total variance and the grouping of the variables was reasonable (see Appendix 7.4). Table 9.5 shows the eigenvalues and percentage of variance.

Table 9.6 shows the factor loadings. The loadings are quite acceptable using the already mentioned criteria of Comrey.

The three components that summarize the 13 questions in this category were named as:

- Performance measures (Factor 1)

- Marketing planning capabilities (Factor 2)

- International competitiveness (Factor 3).

Table 9.5 Communalities and eigenvalues for the performance variables.

FINAL STATISTICS:

VARIABLE	COMMUNALITY	*	FACTOR	EIGENVALUE	PCT OF VAR	CUM PCT
P2451A	.67462	*	1	6.16931	47.5	47.5
P2452A	.69847	*	2	1.33599	10.3	57.7
P2453A	.79037	*	3	1.12934	8.7	66.4
P2454A	.74341	*				
P2455A	.58123	*				
P246AA	.67318	*				
P246BA	.53006	*				
P247A	.87354	*				
P248A	.55647	*				
P249A	.67080	*				
P250A	.68339	*				
P251A	.66072	*				
P252A	.49836	*				

The effect of the scheme on the firms occurs firstly in helping them to improve their performance in areas such as increased turnover, improved profitability, and increase in the number of the customers. Secondly firms are helped to increase their marketing capability, and finally their international competitiveness is enhanced.

Table 9.6 Factor analysis of performance measures.

FACT. 1	FACT. 2	FACT. 3	VARIABLES
.865			Contributed to increase customers
.769			Contributed to increase market share
.740			Contributed to increase turnover
.729			Contributed to improve profitability
.655			Contributed increase no. employees
.501			Helped improve overall performance
	.786		Helped devise future business plan
	.785		Increased management self confidence
	.748		Provided greater sense of direction
	.614		Increase marketing expertise in firm
		.894	Expansion/entry to foreign markets
		.738	Improved direct export
		.703	Improved international competitiveness(import substitution)
6.17	1.34	1.13	Eigenvalues
47.50	10.30	8.70	% of Variance
Varimax rotation converging in 6 iterations.			

9.2.4 PERFORMANCE FACTORS AND THEIR RELATIONSHIP WITH OTHER VARIABLES

It was argued earlier (Section 8.1) that the benefits firms receive from the SFM intervention may be related to the firms' characteristics. At this stage the interest lies in finding if there is such a relationship. Performance factors are the variables that represent the benefits firms received through the intervention of the SFM scheme. By looking at the relationship of performance factors with firm's characteristics it is possible to see how characteristics can influence the benefits received.

9.2.4.1 Performance Factors and Firms' Characteristics

The relationship of the performance factors with all the characteristics available in this study was considered. The hierarchical log-linear models (Appendix 7.5) were used to examine the relationship between performance factors and the following variables:

- existence of marketing and business planning from the firms' and senior industrialist's point of view,

- allocation of marketing responsibility within the firm,

- number of employees,

- turnover and

- number of years the firms were trading.

The hierarchical log-linear analysis shows that performance factors do not relate to the state of planning in the firm at the beginning of the project, or to the allocation of marketing responsibility within the firm, or to the number of employees. The only identified relationship is of performance measure factor to turnover. The linear-by-linear association model for the ordinal data (Appendix 7.5) was used to examine the nature of the relationship. The Ω value for this relationship is -0.25 and the Z value is -2.23. The significant negative Ω value shows that the impact on performance measures is shown to a greater degree for firms with a smaller turnover. In fact this result is quite interesting and understandable: it is too early to see the impact on performance of firms, but for those with a smaller turnover, the improvement is clear enough even at an early stage.

The lack of relationships between performance factors and firms' characteristics suggests that for this sample, impact on performance is not related to firms' characteristics. The next section will discuss whether or not the impact on performance is related to the operation of the SFM scheme.

9.2.4.2 Value to the Firm, Evaluation of Consultant/Scheme and Performance Factors

It was discussed earlier (Chapter 10) that most firms found the SFM scheme to be of good value. Is the evaluation of the SFM scheme in any way related to the performance factors? The hierarchical log-linear models show that the value of

the SFM scheme to the firms interacts with two performance factors: performance measure and the marketing capability. The linear-by-linear association model for ordinal data shows that the relationships are positive and significant, indicating that the attribution of higher values to experience is related to greater contribution to the performance measures factor and marketing planning capability factor (Figure 9.6). This result shows, as would be expected, that an important factor influencing the value of the SFM scheme to a firm is its impact on performance.

Do the performance factors relate to the performance of the consultant? The hierarchical log-linear models identified that the same two performance factors, i.e. performance measures and marketing planning capability interact with the consultant's performance. There is not only a relationship between these variables, but the linear-by-linear association models for ordinal data indicated that the relationship is of a positive nature (Figure 9.6).

A positive relationship between contribution to performance and perceived value is not surprising and would be expected. But the positive relationship between evaluation of the consultant and the performance factor is of particular interest. It indicates that where the consultant is evaluated as performing well, there is a higher contribution of the SFM scheme to performance. This shows how satisfaction with the external expert can influence results achieved by the firm.

Figure 9.6   Value to the firm, evaluation of the consultant
             and performance factors.

```
┌───────────────────────────────────────────────────────────────────┐
│                                                                     │
│  Ω =0.30    Z=3.71    ┌───────────────┐   Ω =0.45    Z=4.10         │
│                       │VALUE TO THE   │                             │
│                   >──│ FIRM          │──<                           │
│           +           └───────────────┘          +                 │
│  ┌─────────────────┐                         ┌─────────────────┐    │
│  │ PERFORMANCE     │                         │ MARKETING       │    │
│  │ MEASURE         │                         │ CAPABILITY      │    │
│  │ FACTOR          │                         │ FACTOR          │    │
│  └─────────────────┘                         └─────────────────┘    │
│           +           ┌───────────────┐          +                 │
│                   >──│ ASSESSMENT    │──<                           │
│  Ω =0.33    Z=3.42    │ OF            │   Ω =0.51    Z=4.12         │
│                       │ CONSULTANT    │                             │
│                       └───────────────┘                             │
│                                                                     │
└───────────────────────────────────────────────────────────────────┘
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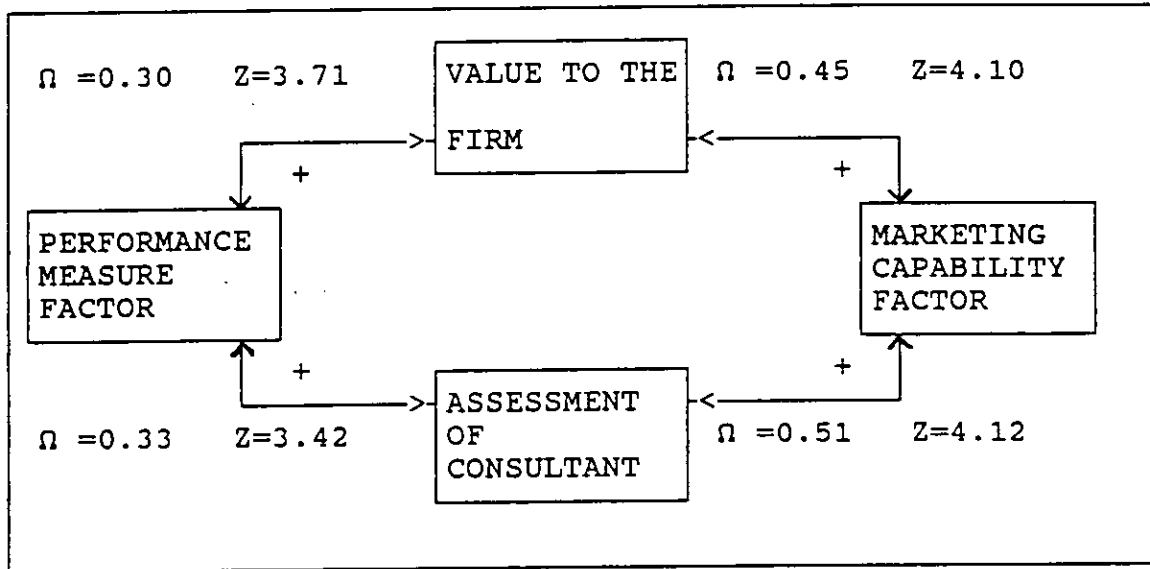
As would be expected, where the SFM scheme has a positive
impact on the actual performance, the firm is likely to
recommend it to others. The hierarchical log-linear models
identify interactions between all performance factors and
recommendation of the scheme to other firms. The results
obtained by the linear-by-linear association models for
ordinal data confirm the existence of a positive
relationship between the recommendation of the scheme and
the performance factors (Figure 9.7).

An interesting result identified by hierarchical log-linear
model is that the implementation of consultant's
recommendations is also affected by the degree of
satisfaction with the consultant. The results show that
implementation of the recommendations regarding the
product/market is po   product/market is positive
performance. The linear-by-linear association model for

ordinal data has identified a positive and significant relationship, with $\Omega = 0.61$ and $Z = 2.94$.

Figure 9.7   Recommendation of the scheme and performance factors.

```
┌─────────────┐        ┌──────────┐        ┌──────────┐
│ PERFORMANCE │   +    │ RECOMMEND│    +   │ MARKETING│
│ MEASURE     │<─────>─│ TO OTHER │<─────>─│ PLANNING │
│ FACTOR      │        │ FIRMS    │        │ FACTOR   │
└─────────────┘        └──────────┘        └──────────┘
 Ω=0.42    Z=3.34           ↑              Ω=0.87    Z=3.97
                        +   │
     Ω=0.24    Z=2.48       │
                           ↓
                   ┌────────────────┐
                   │ INTERNATIONAL  │
                   │ COMPETITIVENESS│
                   │ FACTOR         │
                   └────────────────┘
```
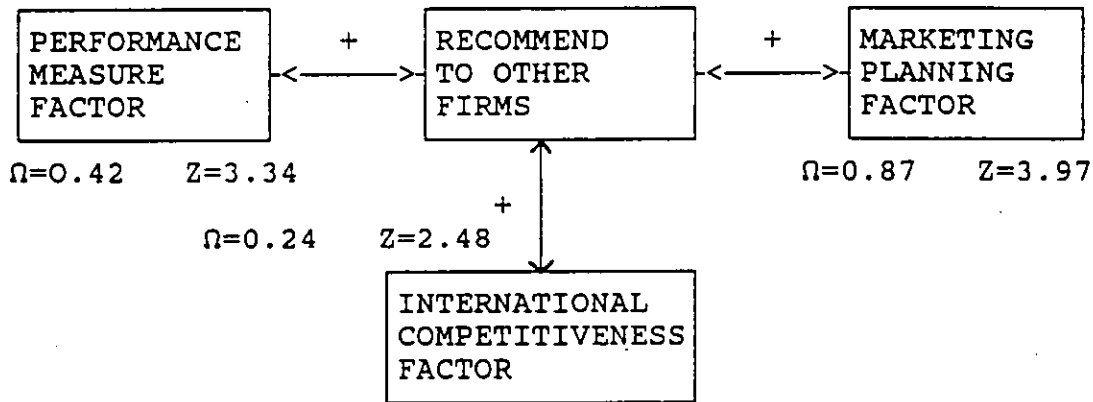
9.2.4.3 Performance Factors and Implementation of Recommendations

An interesting issue to address is if the implementation of recommendations contained in the plan is related to performance. As suggested by the prescriptive literature (Chapter Two), it is legitimate to expect that improved performance would occur as a result of implementation of the recommendations proposed by the marketing consultant. Is there any evidence to support this relationship?

The results show, in fact, that there are relationships between performance and the implementation of recommendations. When looking at these results, the limitations that these relationships represent should be borne in mind. As explained previously, with all the relationships that involve performance measures, the same

note of caution is necessary: it is too early to see the impact of performance. With this in mind, the following relationships should be considered.

The hierarchical log-linear model identified the interaction of the marketing planning capability factor with the implementation of recommendations regarding product/market and organisation and administration. The linear-by-linear association models for ordinal data identified a positive relationship. The results show that where the SFM scheme is thought to have contributed to the marketing planning capability of the firm, there is a tendency for more recommendations regarding the product/market and administration and/or organisation to have been implemented (Figure 9.8).

Figure 9.8   Marketing planning capability factor and
             implementation of recommendations

| RECOMMENDAT. PRODUCT/ MARKET | + | MARKETING PLANNING CAPABILITY FACTOR | + | ADMINISTRAT. ORGANISATION RECOMMENDAT. |

$\Omega=0.33$ $Z=2.92$ $\Omega=0.22$ $Z=2.55$
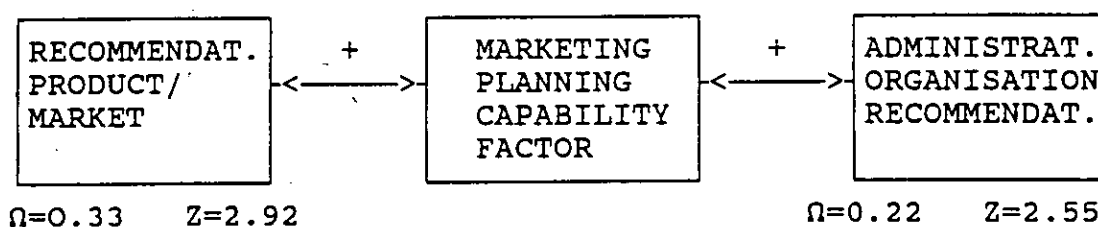
The hierarchical log-linear models also show that the performance measure factor is related to the implementation of recommendations regarding price strategy, customer/supplier and organisational and administrative recommendations. The linear-by-linear association model for

ordinal data identifies that not only is there a relationship, but that it is positive.

These results show that the implementation of recommendations regarding price strategy and customer/supplier soon improves the performance of the firm, recalling that the performance measures factor included variables such as increased turnover, increased profit, and increased market share. The relationship between the performance measure factor and the implementation of administrative and organisational recommendations shows how important it is to secure the administrative and organisational support in order to have improved performance. The Ω and Z values show that the interactions are positive and significant (Figure 9.9).

Figure 9.9 Performance measures factor and implementation.

RECOMMENDAT. REGARDING PRICE STRATEGY

+

PERFORMANCE MEASURES

+

RECOMMENDAT REGARDING CUSTOMER / SUPPLIER

$\Omega=0.33$ $Z=2.95$

$\Omega=0.42$ $Z=2.85$

+

$\Omega=0.22$ $Z=2.55$

ADMINISTRAT. ORGANISATION RECOMMENDAT.
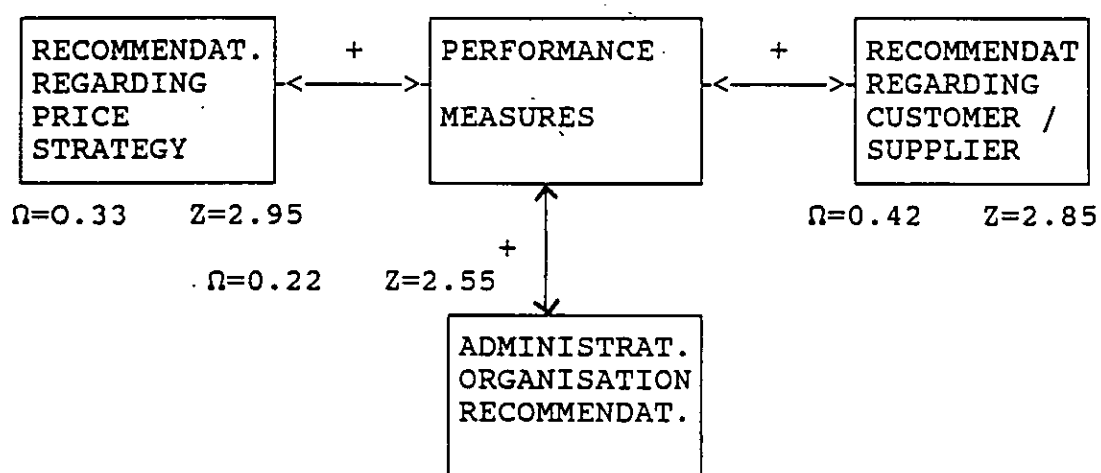
Although there are only a few positive relationships, they clearly show that implementation and performance are related to one-another.

As was mentioned earlier (Chapter One), the senior industrialist visits the client approximately three months after completion of the project, during which he enquires about the firm's initial reaction and overall evaluation of the operation (see Appendix 1.5, Questions 3 and 9). The overall evaluation is the firm's global assessment of the consultant and the whole process of the operation of the SFM scheme, which is reported to the senior industrialist in his final visit to the client firm. It is useful to see if there is any relationship between performance factors and these variables. The identification of the relationships pin-points how overall satisfaction or dissatisfaction with the SFM scheme affects the benefits firms derive from it. The hierarchical log-linear models identify that the overall evaluation interacts with all three performance factors and the initial reaction interacts with performance and marketing capability factor. The linear-by-linear association model for ordinal data shows positive relationship with significant $\cap$ and Z values (Figure 9.10).

Figure 9.10   Overall evaluation, initial reaction and
             performance factors
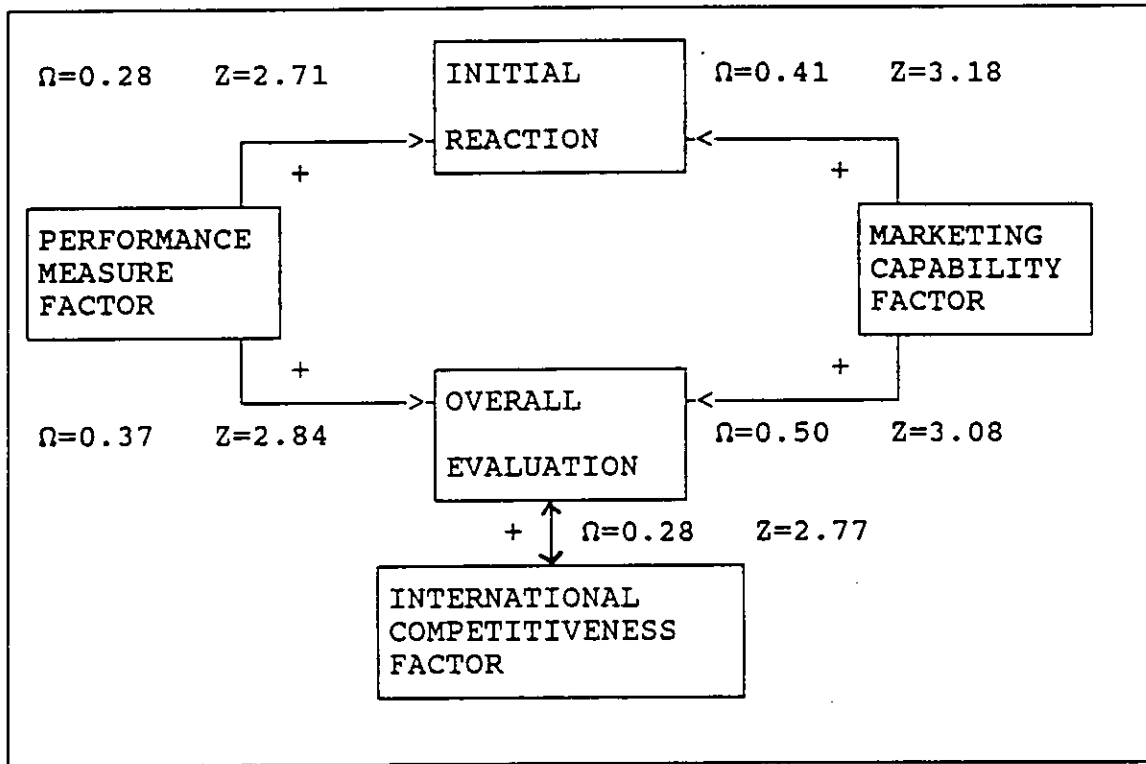
Where firms evaluate the SFM scheme positively, they have
improved performance. It is hard to say if the positive
overall evaluation is as a result of better performance, or
conversely, that positive overall evaluation of the SFM
scheme has an impact on better performance. But whatever the
case, the result worthy of note is the relationship of the
overall evaluation and initial reaction with the
consultant's performance and operation of the scheme. Indeed
the hierarchical log-linear models identify that both the
overall evaluation and initial reaction are related to the
consultant's performance and to the operation of the SFM
scheme. The linear-by-linear association model for ordinal
data showed a positive relationship (Figure 9.11).

The result clearly indicates that the impact of the SFM scheme is largely related to how it is executed. It also shows that although the real impact on performance is a consequence of implementing the recommendations, such implementation requires firms firstly to have a positive experience with the expert and the operation of the SFM scheme.

Figure 9.11   Implementation prospects and initial reaction and evaluation of the scheme/consultant.
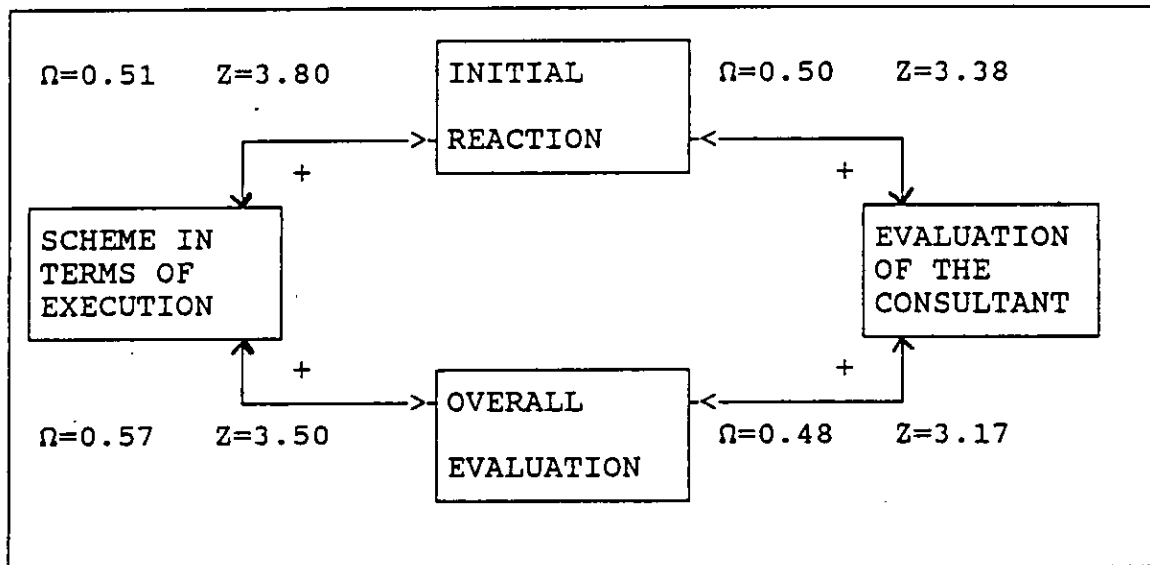
9.2.4.4 Performance Factors and Further Planning

It would be expected that as a result of the contribution of the SFM scheme to improved performance, firms would use planning more in the future. Thus, the relationship of further use of planning (Section 9.1.4.4) and performance factors was considered. It should be emphasized, however, that it is too early to see the impact on performance at this stage. Nevertheless, the hierarchical log-linear models

identified a relationship between marketing planning capability factor and the further use of planning. The linear-by-linear association model for ordinal data identifies that the relationship is positive ($\Omega=0.19$) and significant (Z value=2.06). As discussed in Section 9.2.2, the contribution of the SFM scheme to variables that are represented by this factor has been more evident, compared to the other two factors (see Table 9.4). It can be argued that as the contribution of the SFM scheme to other factors starts to emerge more strongly, firms will be encouraged to use planning in the future.

9.2.4.5 Performance and Knowledgeability Factors

It was argued that the knowledgeability variables are an intermediate step towards the final objective, which is improved performance. The relationship of the knowledgeability factors with a number of variables has already been discussed. The question is, are there any relationships between performance factors and knowledgeability factors? The hierarchical log-linear model identified a number of interactions: increased knowledgeability of marketing strategy and the contribution of the SFM scheme to marketing capability are related to one - another. Increased marketing awareness interacts with the performance measures factor and international competitiveness factor. The linear-by-linear association model for ordinal data identifies that the relationships are of a positive nature (Figure 9.12).

Figure 9.12   Knowledgeability and performance factors

```
+-----------------+         +-----------------+         +-----------------+
| PERFORMANCE     |    +    | INCREASED       |    +    | INTERNAT.       |
| MEASURE         |<------->| MARKETING       |<------->| COMPETIT.       |
| FACTOR          |         | AWARENESS       |         | FACTOR          |
+-----------------+         +-----------------+         +-----------------+
 Ω=0.21    Z=3.50                                        Ω=0.23    Z=3.35

+-----------------+         +-----------------+
| KNOWLEDGE.      |    +    | CONTRIBUTION    |
| MARKETING       |<------->| TO MARKETING    |
| STRATEGY        |         | CAPABILITY      |
+-----------------+         +-----------------+
 Ω=0.221   Z=3.00
```
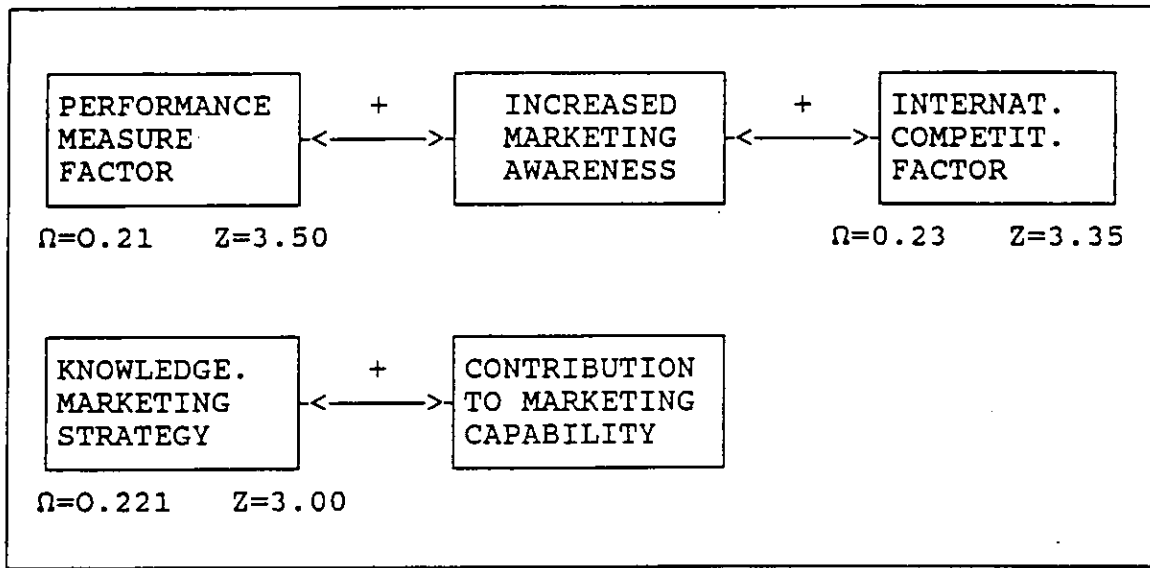
It was argued that the knowledgeability variables act as intermediate variables before the final objective, which is improved performance. The results here clearly indicate that such an assumption is valid, but again, it is essential to remember that there is still little evidence of positive impact on performance. However, with the limited results available, it is possible to identify a positive relationship between knowledgeability and performance factors; i.e. higher performance is associated with higher knowledgeability.

9.3   SUMMARY

This chapter looked at the impact of the Support for Marketing scheme on firms that used it. First the impact of the SFM scheme on increased knowledgeability was considered. Then the impact on performance was discussed. A summary of each follows:

9.3.1 SUMMARY OF THE IMPACT ON KNOWLEDGEABILITY AND ITS RELATIONSHIP WITH OTHER VARIABLES

This chapter identified that the SFM scheme had an impact on the knowledgeability of the firms. Knowledgeability variables were factor analysed and the relationship of these factors with a number of variables was considered. The results identified that there are few relationships between knowledgeability factors and firms' characteristics.

Although the results in relation to the firms' attributes were very limited, more and stronger relationships were identified between the knowledgeability factors and the operation of the SFM scheme. The results identified how the performance of the consultant and the way the scheme is executed can positively influence the knowledgeability of the firms.

Enhanced knowledgeability was also associated with implementation of more recommendations. As to the relationship between knowledgeability factors and further use of planning, there is a positive relationship but it is not as strong as in other results. Figures 9.13, 9.14 and 9.15 show the major relationships of each knowledgeability factor and a number of variables.

Figure 9.13   Knowledgeability of marketing strategy and its relationship with other variables
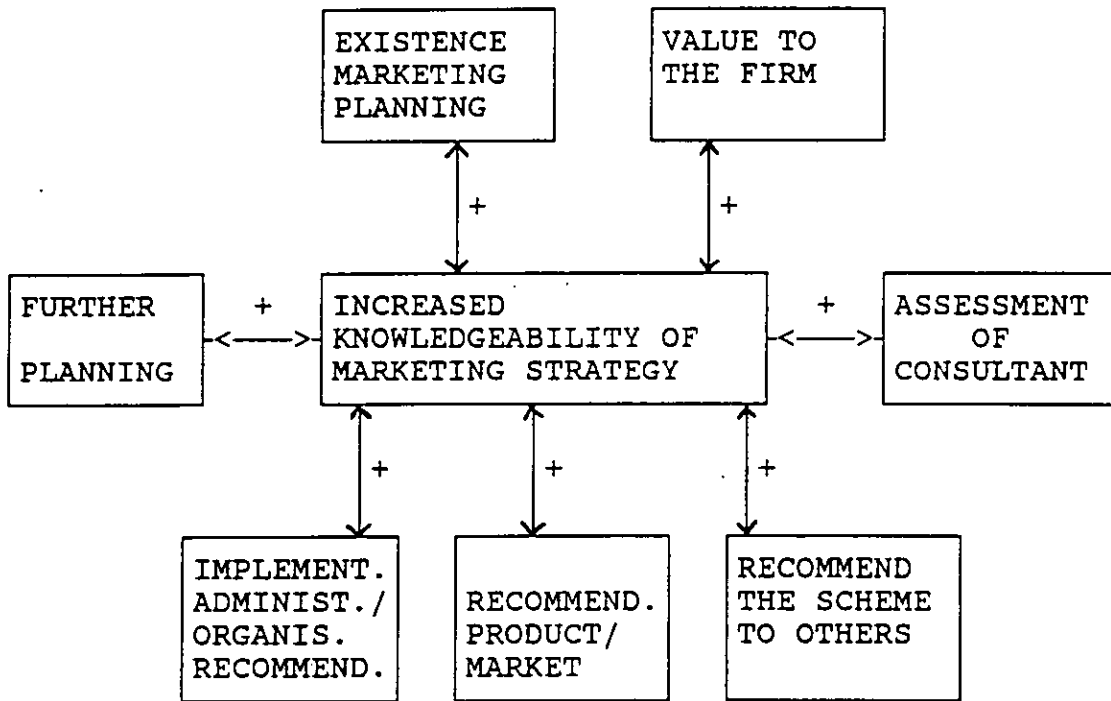
Figure 9.14   Increased marketing awareness and its
relationship with other variables
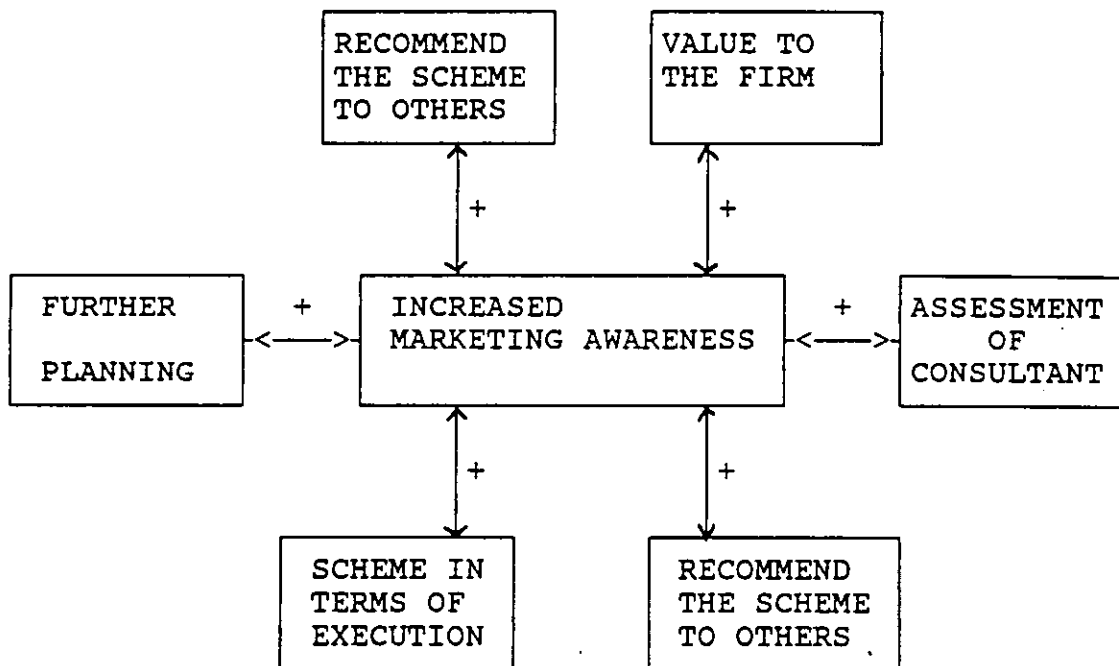
Figure 9.15   Knowledgeability of marketing operation and its
relationship with other variables
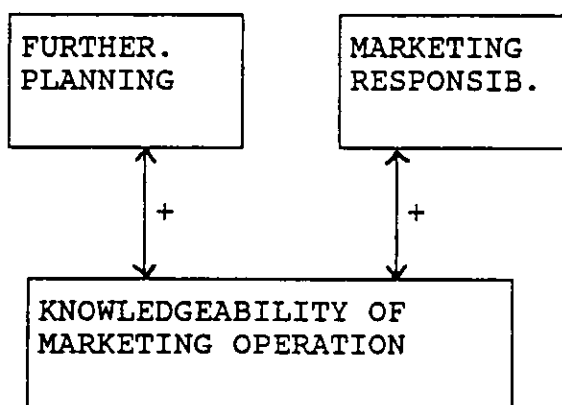
9.3.2   SUMMARY OF THE IMPACT ON PERFORMANCE AND ITS RELATIONSHIP WITH OTHER VARIABLES

This chapter also identified that the SFM scheme had an impact on performance of firms. Although the real impact of the scheme is expected to appear at later stages, nevertheless some results have already been identified.

Performance variables were factor analysed and the relationship of these factors with a number of variables was considered. The results identified that there are few relationships between performance factors and firm's characteristics. The only identified relationship was of the performance measure factor and the turnover. The lack of relationship between performance factors and firm's characteristics suggest that, for this sample, the impact on performance is not related to the firm's characteristics.

More and stronger relationships were identified between performance factors and variables related to the operation and value of the SFM scheme. Value of the SFM scheme to the firms has a positive relationship with two performance factors: performance measure and marketing capability. The same two factors are positively related to the performance of consultant as well. The recommendation of SFM scheme to others is positively related to all three performance factors, which implies that a positive contribution of the scheme to any aspect of performance encourages firms to recommend it to others.

Performance is also related to the implementation of recommendations. The results show a positive relationship between 'marketing planning capability' factor and two groups of recommendations: 'product/market' and 'organisation and administration'. The 'performance measure' factor is positively related to recommendations related to: 'price strategy', 'customer/supplier' and 'administration and organisation'. The results also reveal that implementation of recommendations is positively related to consultant performance.

From senior industrialist's evaluation, a number of relationships emerged which mainly confirmed the results of the survey:

- 'Initial reaction' of firms is positively related to two performance factors: 'performance measure' and 'marketing capability'. 'Overall evaluation' of the scheme is positively related to all performance factors. These results show that where firms evaluate the SFM scheme positively, they have better performance.

- Another interesting result is the relationship of 'scheme in terms of execution' and 'evaluation of the consultant' with 'initial reaction' and 'overall evaluation'. This result clearly indicates that the impact of the SFM scheme is largely related to how it is executed.

Finally the relationship of performance factors and further planning was studied. The result identified a positive

relationship between 'marketing planning capability' factor and 'further use of planning' which indicates that higher performance is associated with higher knowledgeability.

CHAPTER TEN CONCLUSION AND FURTHER RESEARCH

10.1 OVERALL IMPACT OF THE SCHEME

This study looked at a programme designed to influence the practice of marketing planning in small/medium sized firms, and analysed the impact of marketing planning when firms are provided with such a plan prepared by an external consultant.

In evaluating a scheme such as the SFM scheme two factors need to be considered: (i) the issue of effectiveness and its measurement and (ii) the factors that influence or determine the effectiveness.

(i) The effectiveness of the marketing planning provided by the SFM scheme can be judged in terms of its contribution to the improvement of the performance of the firms. To be able to consider the SFM scheme effective, not only is it necessary for the intervention to produce improved results but there is also a need for such improved results to be maintained.

To evaluate the effect on performance it is necessary to define tangible measures of success. The difficulty in the development of such measures and the shortcomings of different approaches have already been reviewed in Chapter Three. Nevertheless a number of measures were formulated to assess the impact of the SFM scheme on performance.

The next issue to consider is to see if the improved results are sustained. To verify if the impact on the performance has been enduring it would be necessary to evaluate it for a considerable length of time, to do a longitudinal study of the impact which was impossible in this particular piece of work.

Of course, the impact on performance is an important issue but it can only be addressed thoroughly at a later stage in the use of the scheme. For this study the data was collected soon after the completion of the consultancy project, with almost 90% of the firms having had the completed project in operation for less than a year. Therefore, it is too early to address fully the impact on performance bearing in mind the limited time for some of the firms to implement the recommendations offered by the consultant. The full financial benefits of the SFM scheme can only be assessed at later stages.

However it is possible to evaluate the SFM scheme in short term using intermediate measures of success. The specific choice of such measures is related to the underlying model of planning.

In Chapter Eight, the outcome of the intervention from systems and clinical approaches were described. In the systems approach the outcome of planning process and expert intervention is the plan document, and its success is judged by the implementation of the recommendations contained in

the plan and the effect of implementation on success (Figure 10.1). Looking from this point of view, if the plan is not feasible for implementation, or the client firm is not convinced of its validity and appropriateness, or if it is implemented and does not meet with success, the tendency is for the client to stop the planning process. It tends to be seen as a once-in-a-life time experience.

The clinical approach has a different purpose. Client learning is the central issue and the aim of the external expert is to help the client to improve understanding and develop competencies. This approach, even if the plan is not feasible for implementation or, when once executed does not produce the expected results, does not imply the end of the process. Indeed the client has gained a better understanding of planning and has developed competencies to use planning in future, capitalising on this experience.

The purpose of intervention is, therefore, different in each approach. One concentrates on plan-action and the other on plan-thinking. The first looks at the plan output and examines how far the recommendations contained in the plan have been implemented, while the other approach considers the impact of the SFM scheme in building the client's capability. That is to say that the benefits of the planning process are not limited to the implementation of the recommendations. They include the change and development that the process of planning produces.

Figure 10.1   The process and outcome of the intervention in
the prescriptive approach.

CONSULTANT   FIRM

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    ┌─────────────────┐        ┌─────────────────┐
    │   FORMULATION   │        │      PLAN       │
    │                 │        │    DOCUMENT     │
    └────────┬────────┘        └────────┬────────┘
             │                          │
             ▼                          ▼
    ┌─────────────────┐        ┌─────────────────┐
    │      PLAN       │        │ IMPLEMENTATION  │
    │                 │        │       OF        │
    │    DOCUMENT     │        │ RECOMMENDATIONS │
    └────────┬────────┘        └────────┬────────┘
             │                          │
             ▼                          ▼
    ┌─────────────────┐        ┌─────────────────┐
    │ IMPLEMENTATION  │        │    IMPROVED     │
    │                 │        │   PERFORMANCE   │
    └────────┬────────┘        └────────┬────────┘
             │                          │
             ▼                          ▼
    ┌─────────────────┐        ┌─────────────────┐
    │     CONTROL     │        │  FURTHER USE    │
    │                 │        │  OF PLANNING    │
    └─────────────────┘        └─────────────────┘
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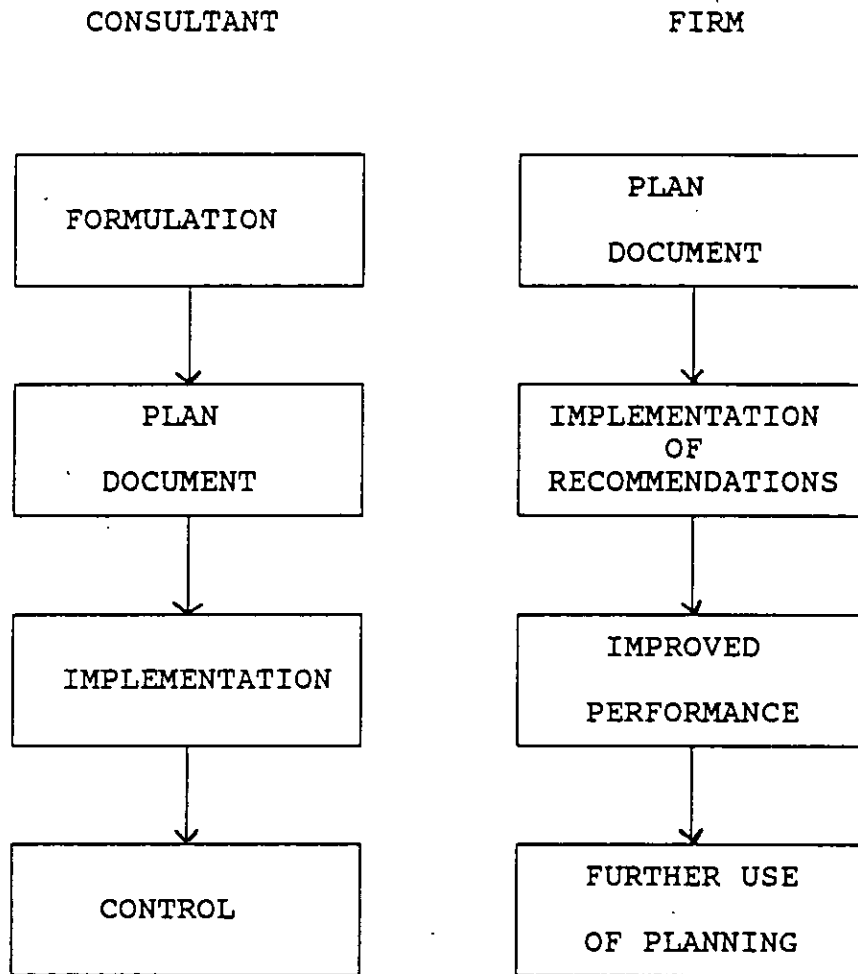
The above approaches determine the intermediate variables that can be used to evaluate the SFM scheme in the short term. From the systems analysis approach the implementation of recommendations and early results on performance can be used to evaluate the scheme. From the clinical approach, the increased knowledgeability of marketing and marketing planning, and the further use of planning are appropriate indicators of the effectiveness.

Another intermediate measure that can be used is firm's evaluation of the experience, i.e. to evaluate the SFM scheme from the user's perspective and find out which elements affect its perceived value.

The above shows the intermediate variables that can be used to determine the effectiveness of the SFM scheme. The next issue to address is the factors that influence the effectiveness.

(ii) Three factors can be argued a priori as critical in determining the effectiveness of any consulting intervention:

- the nature of the client firm,

- the capabilities of the consultant, and

- the nature of consulting process.

Obviously these three basic factors interact but the research allows us to clarify the individual and collective effects in the specific case of the SFM scheme.

These three factors will now be discussed and the supporting results related to each will be presented.

10.1.1 THE NATURE OF THE CLIENT FIRM

The findings of this study indicate that a firm's characteristics do not significantly affect the results. The key factor is the prior experience of planning. There is some evidence that firms' prior experience of planning can positively affect the benefits the firm receives from this experience. The result identifies that firms that already had a more developed marketing planning process tended to gain more strategic understanding with the exercise.

Literature suggests (McDonald, 1982) that as the size of the firm increases, so does the practice of marketing planning. The results of this study show that size and marketing organisation per se do not seem to be of independent importance, except possibly to the extent to which size itself may imply more previous experience with planning. In fact, no relationship between size and marketing planning was identified, but the results reveal that delegation of marketing responsibilities to marketing managers is directly related to the size of the firms in terms of turnover and number of employees.

10.1.2   THE CAPABILITIES OF THE CONSULTANT

As one might expect the assessment of the consultant influences the response to the recommendations. It is also clear that the evaluation of the SFM scheme itself exerts a further influence given the key role of the senior industrialist. The following results show how consultant capabilities and performance relate to perceived value of the SFM scheme by firms, implementation of recommendations and improved performance. These findings clearly reflect the importance of the expert in the planning process:

- The results show that the value of the Support for Marketing scheme and marketing planning is greatly related to the performance of the consultant and the degree to which he can influence the client firm.

- The operation of the SFM scheme is another factor that influences the perceived value of the SFM scheme to the firm. These two results confirm that marketing planning is beneficial but needs to be done properly (Leppard and McDonald, 1987).

- When firms are more satisfied with experts, they tend to implement more of the recommendations contained in the plan.

- Satisfaction with the external expert can also influence the results achieved by the firm. The findings of this study identify that the contribution of the SFM scheme to

the performance of the firms is positively related to the performance of the consultant.

- The marketing consultant can have an important role in fostering strategic orientation and marketing awareness in managers of small/medium sized firms.

10.1.3 THE NATURE OF CONSULTING PROCESS

There is evidence that a consulting process which focuses attention on the development of client capability or knowledgeability has a greater impact than one which merely aims to produce a marketing plan.

This study identified that the process of marketing planning has an impact on knowledgeability of the firms. The experience gained from working with the Support for Marketing scheme improves the marketing understanding and knowledgeability throughout the firm in general and in those who were directly involved in the work with the scheme in particular. The results also reveal that the marketing consultant has an important role in increasing marketing knowledgeability and awareness within firms. This is consistent with the process-orientated approach to consultancy (Schein, 1969) which aims at helping the client to improve understanding and increase competence for on-going change and development.

The increased marketing awareness and knowledgeability of marketing strategy issues have a number of implications:

- One of the main problems identified with the practice of marketing planning has been the lack of implementation. This study identified that knowledgeability and implementation are interrelated. Knowledgeability also influences the implementation of recommendations regarding the product/markets. An increase in knowledge of strategic marketing issues is related to the implementation of organisational and administrative recommendations contained in the marketing plan. This result is in agreement with Ames's (1970) view that the installation of administrative mechanisms is a necessary condition for the effective implementation of a strategic plan. Thus, the experience and consequently the learning outcome will enhance the possibility of implementing the recommendations contained in the marketing plan. Therefore, if the marketing planning process increases knowledgeability, it can be expected that implementation of the marketing plan will be more likely.

- The importance of knowledgeability as a prerequisite to adoption is well documented in the literature (Strong, 1925; Lavidge and Steiner, 1961; Urban and Hauser, 1980, O'Shaughnessy 1988). As discussed in Chapter Eight, different models of adoption suggest that awareness and knowledge are indispensable steps in the process of adoption. Thus it is legitimate to conclude that a prerequisite for implementation of marketing planning in firms is increased marketing awareness and understanding.

- This study shows that there is a positive relationship between knowledgeability and further planning. The result implies that increased marketing awareness and knowledgeability will encourage the firms to realize the importance of marketing planning and to use formal marketing planning processes in the future.

- The value of the planning process to the firm is also judged by the knowledgeability factors. Firms will find the Support for Marketing scheme, and consequently marketing planning, useful and of value if it contributes to their marketing awareness and improves their understanding of strategic marketing issues. This implies that firms realise the importance of strategic orientation and value the experience if it has had this positive effect.

- There is a positive relationship between knowledgeability and performance. The results clearly indicates that higher levels of knowledgeability is associated with better performance. Naturally increased knowledgeability by itself does not improve firm's performance, but this increased knowledgeability encourages more recommendations to be implemented and the implementation of recommendations leads to better performance.

The above results clearly support the clinical approach to planning presented in Figure 10.2.

Figure 10.2   The process and outcome of the intervention in
               the clinical approach.


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          ┌─────────────────────────────────┐
          │  INTERACTION BETWEEN THE        │
          │  CONSULTANT AND CLIENT          │
          └─────────────────────────────────┘
            │  +                       │
            ▼                          ▼
    ┌─────────────────┐      ┌─────────────────┐
    │ INCREASED       │      │ PLAN            │
    │                 │      │                 │
    │ KNOWLEDGEABILITY│      │ DOCUMENT        │
    └─────────────────┘      └─────────────────┘
        │       │  +                  │
        │       ▼                     ▼
        │   ┌─────────────────────────────┐
        │   │ IMPLEMENTATION OF           │
        │   │                             │
        │   │ RECOMMENDATIONS             │
        │   └─────────────────────────────┘
        │                  │  +
   +    │                  ▼
        │──▶┌─────────────────────────────┐
        │   │ IMPROVED PERFORMANCE        │
        │   │                             │
        │   └─────────────────────────────┘
        │                  │
        │                  ▼
        │──▶┌─────────────────────────────┐
            │ FURTHER USE OF PLANNING     │
            │                             │
            └─────────────────────────────┘
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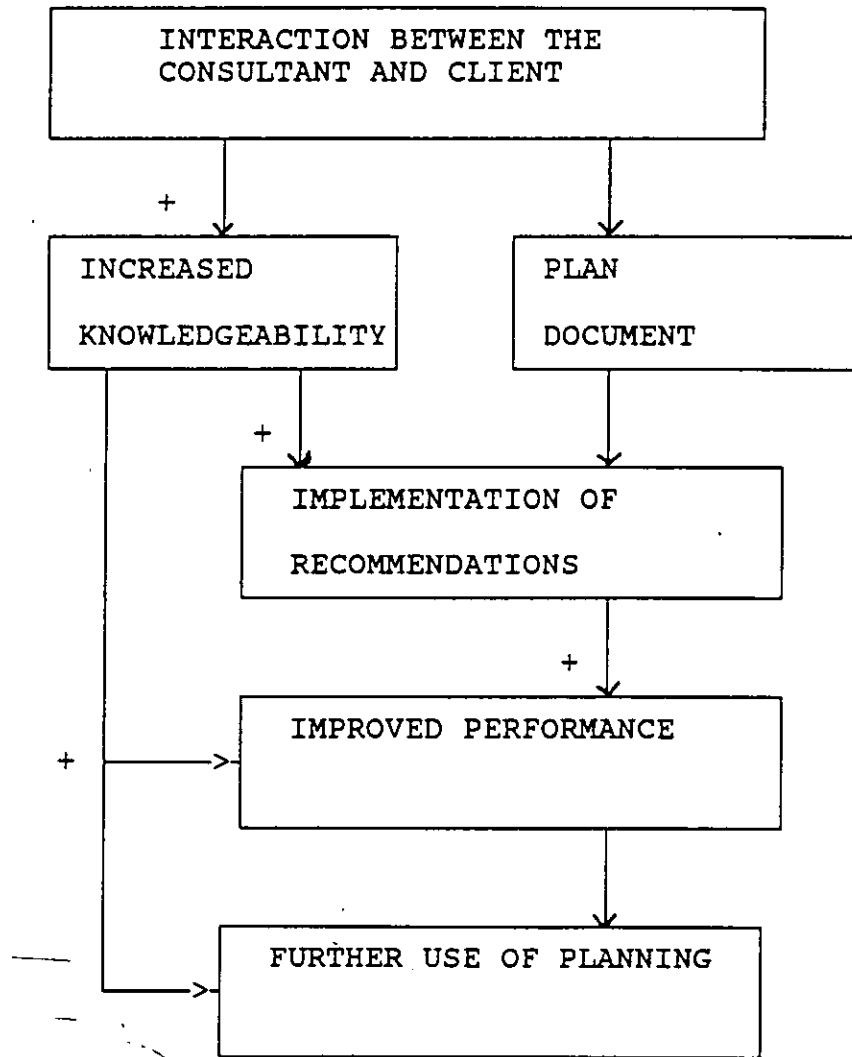
Based on the clinical approach to planning, the process of planning and interaction with the expert will increase the knowledgeability of marketing within the firms. The increased knowledgeability will encourage firms to implement the recommendations and use marketing planning in future. Therefore, even if firms do not implement all the recommendations, because they are not feasible or accepted by client firms, or recommendations have been implemented and have not produced the expected results, the planning process still has an impact on firms' knowledgeability, which encourages firm to continue with the planning process capitalizing on previous experience. That is, knowledgeability and understanding of marketing planning issues have been developed to a point that firms will see its benefits and apply planning in future. This interpretation was particularly confirmed in the interviews. While some firms felt quite happy with the recommendations and were implementing them, others disagreed with them. The interesting point was that even in the latter case they admitted that as a result of the intervention they realised that an important business function was missing and that they would continue the planning process in the future.

It should be emphasised that the approach adopted by the SFM scheme in providing assistance to small/medium sized firms is a particular process of intervention. It uses an external consultant together with a monitoring procedure. This monitoring system assists firms in understanding the nature of strategic planning and the process of managing the

consultant. It also evaluates the quality of report and assistance provided by the external expert. This process helps to use the consultant and his services effectively, which confirms Machiavelli's view in relation to the seeking of advice (The Economist, 1988, p. 20):

> Here is an infallible rule: a prince who is not himself wise can not be wisely advised....good advice depends on the shrewdness of the prince who seeks it, and not the shrewdness of the prince on good advice.

The major contribution of the SFM scheme, at this stage, has been its effect in increasing knowledgeability and awareness. A Persian poem says:

"One who does not know,
 and does not know that he does not know,
 will remain in absolute ignorance
 for ever".

By understanding the function of marketing planning, firms will not remain in total ignorance of an important business activity. In fact, 'lack of knowledge and skills' has been indicated by McDonald (1989) as one of the "ten major barriers to the preparation and implementation of marketing plans". Houlden (1986) in listing the features of the companies that have a well-developed strategic management capability, among others, indicates (p. 90):

An awareness of the nature and importance of corporate strategy and a good understanding of its relationship to day to day operations and their control, and ...

...top executives possessing a sound conceptual basis for grappling with strategic issues.

Although these are related to corporate planning, they nevertheless indicate the importance of knowledge and awareness of the benefits of planning in the firm, specially among top executives.

The positive impact on knowledgeability and awareness will therefore help to remove one of the 'barriers to the preparation and implementation of marketing plans', helping firms to use marketing planning more effectively in future.

It is also necessary to emphasise that the usefulness of the consultancy process provided by the SFM scheme resides in its particular characteristic, which is the integration of firms in the planning process. This not only provides a learning opportunity for the firms, but also in practical ways shows the benefits of planning. Baker and Black (1987) argue that it is not enough to tell managers to put in practice a particular concept if it is not supported with practical examples of how to achieve them. This effect was expressed by one of the interviewees in the following terms:

"It was a very worthwhile experience. We learnt a
great deal from working with the consultant. More than
you realise. It goes to your subconscious".

10.2 A CHANGE OF PERSPECTIVE IS REQUIRED

As discussed in Chapter Four marketing planning has failed
to respond to its claimed benefits. The fact that most firms
are disenchanted by marketing planning and its results
suggests that something might be wrong.

Why has marketing planning failed to show the claimed
benefits and "to storm the citadels of financial control
systems" (The Times, 1986)? One argument is that it is not
done properly (Leppard and McDonald, 1987). To say that it
needs to be done properly, is a tautology without practical
advice. The proliferation of prescriptive literature and its
popular practice does not seem to have generated better
results. Have marketing plans failed because they did not
conform with the prescriptive literature? To accept this
signifies that marketing experts have failed in their job,
which is a strong assumption given the abundance of
literature on how to prepare a plan, and the least one could
expect from a marketing expert is to be able to produce a
reasonably good marketing plan, i.e. according to the
suggested methodology in the prescriptive literature. Still
others argue that the failure is due to poor implementation
(Ames, 1967). If so, what influences firms to implement more
recommendations.

The findings of this research confirm that one of the reasons behind the failure of marketing planning is related to the approach taken by the expert. If experts take merely a systems analysis approach and have as their objective the preparation of a good prescription, they can hope to achieve very little. In-depth pilot interviews confirmed this. The following statements expressed in the interviews clearly show the influence of the approach taken by consultant:

"I am not sure if we would use the same consultant. We had a certain amount of friction with our consultant in the early days, partly because they were very well known company, based in London, with national reputation. We felt they patronized us and we knew a great deal more than they actually gave credit to us for. I must admit that it confirmed one of my prejudices about the marketing consultant, i.e, it is quite difficult to get what is useful out of some tautological words. Sometimes consultant dress up quite simple straightforward concepts into technical (marketing) jargon. We felt they were quite good in marketing themselves. We felt that we got a lot of amount of paper for our money. A lot of it was fairly text book staff which was O.K. but it didn't tell us anything startling that we couldn't already answered ourselves".

Contrasting this statement with the following:

"It was just at a time in company's culture that we were ready to exploit marketing in its proper sense and so we have enjoyed the experience and actually put it to practical use in the current financial year and we have also retained the consultant who was recommended through Warwick University, we retained them to work with us in formalizing a proper marketing plan over next 3 years. So that worked very well. He was enthusiastic, he got involved with the company and showed a good level of commitment and we worked very well together.

It was like having an extra employee to come along to do those things that you always wanted to do, but never had the time to do it. It is quite beneficial to go in and take a professional time out, to sit with you and collect your own thoughts and also give you an outside view".

The above statements show how the approach taken by the experts can influence the client firm. The following remark was made by one of the consultants in a meeting between the SFM scheme contractor at the University of Warwick and the consultants:

"We give lots of good advice and recommendations to firms that they throw away".

This is a typical remark of those consultants who believe that the only problem is the quality of the advice or its implementation. Actually the statement reflects on the success achieved by this particular consultant in consultancy. If firms throw away his 'good' recommendations, surely his intervention has not produced any benefit to the organisation. At most, his intervention has produced or strengthened the existing prejudice about the ineffectiveness of marketing planning and expert intervention.

It is necessary for the consultants to take a clinical approach to planning and include in their objectives increased knowledgeability and improved capability for the client firm.

The results clearly show the importance of the enhancement of client capability or knowledgeability, particularly in the relationship of knowledgeability factors to a number of other variables. Firms evaluate the SFM scheme positively and find it as a good value for money when it improves their knowledgeability of marketing and marketing planning. When the client understands the importance of marketing planning and how it can help to improve his business, he is likely to implement more of the recommendations, to use it in future and as a result see his performance improved. Consultants can have an important role in fostering such understanding. Some of the comments made by firms are of interest:

"I feel very strongly about it. We were lucky with our consultant and they increased our knowledge of the market".

"First of all it identified a lot of opportunities for us. We were very much an operating company, manufacturing led, where we went on from year to year working on budgets and forecasts, with very little thought of our market, what position we were in that market and what role we were actually playing and that I think was the first key from the mental thing that it provided for us. It also then enabled us to start gathering information in terms of analysing the market and specially looking at trends of market. During that period we were able to do a lot of market research on our own account and then we understood our company and our position in a much better sense".

"We were also a company that was very dependent on one product and one customer and we adopted a policy ..... to reduce the dependency of the firm on them".

"We were able to understand our strengths and weaknesses".

"The consultant was very pleasant and professional. It was worthwhile because you get the extra input. When you do this job for 8 or 10 years and nobody says anything, it is entirely your decision. It is very

important somebody comes in and tells you what can be done. This confirmation and additional input of thought is very important".

No doubt that it was very helpful to me and will be much more for those who do not know anything about marketing.

"It formalized marketing and put structure to us. Rather than being sort of feelings, it was actually put down as a science".

As mentioned above lack of implementation is considered to be one of the reasons for the failure of marketing planning. The results show that firms tend to implement more recommendations when their knowledgeability has been enhanced and when they are more satisfied with the consultant.

10.3 PERCEIVED VALUE OF THE SCHEME AND ITS DETERMINANTS

One of the intermediate variables used to evaluate the effectiveness of the SFM scheme is its perceived value, that is how firms that used it evaluate it and what affects their perceived value. The logical question is why value to the firm and its determinants are important? If the organisation's view of the intervention is not positive, if he does not believe that it has contributed in some way, it is unlikely that he will implement marketing planning in his

organisation. Marketing consultancy is a very delicate service. While a manufacturing or computer consultant enters into a firm and at the end of the project leaves a physical product in there, the marketing consultant leaves no tangible product. The only tangible product is a pack of papers. If some of the recommendations seem to be risky the firm's immediate reaction is not to implement them. After all, they argue, the consultant has nothing at stake and the firm has to bear all the risks.

It is therefore important to see what value firms attach to the SFM scheme, what are the determinants of the perceived value and what implications it has. Through this study a number of results emerged.

When firms are satisfied with the consultant, i.e., where firms believe that consultant has performed well, then they consider that the experience was good value for money. The firm's evaluation of the consultant is in terms of the benefits that the consultant can bring into the organisation. When firms evaluate a consultant positively in terms of his performance, it means that the consultant has produced something that firm can work on it. It is the same as saying that "the firm will not throw a bunch of good recommendations away". When firms are satisfied with the consultant they tend to implement more recommendations which might lead to improved performance.

Value is also judged in terms of the SFM scheme's contribution to knowledgeability. This is a very interesting result, as it identifies that one of the determinants of the value is its contribution to knowledge. This result is important not only per se, but also in terms of its consequence. As it was reviewed in Chapter Three firms tend to use those techniques that they are familiar with. Even if there are more useful techniques to be used, firms tend to ignore them because of their lack of knowledge and the cost associated with the learning process. The implication of this result is that once a firm's knowledge of marketing and marketing planning is enhanced, it is more likely that they will use marketing planning in future. This result is confirmed by another relationship that for the further use of planning and value. Firms believe they will use marketing planning further in future if the experience has proved to be of value and furthermore they tend to implement more recommendations if they find the experience of value.

10.4 IMPLICATIONS OF THE RESULTS

In the previous sections the conclusions were discussed in terms of the reviewed literature. An important issue to address at this point is how the results obtained through this study can be used in practical terms, i.e.:

- In what way these results can be of benefit to the DTI and
  SFM scheme?

- In what way they can be of benefit to consultant and client? and

- How these results may affect the policy towards small and medium sized firms?

10.4.1 IMPLICATIONS FOR THE DTI

As reviewed in earlier chapters, literature suggest and it is confirmed by this study that the practice of marketing planning in small and medium sized firms is very limited. These firms rarely have a marketing manager with specialist knowledge of marketing. Either there is no one responsible for the marketing activities of the firm or this responsibility is part of the many duties of a general manager or other director of the firm. In their budget, no provision is made for the marketing function or training. Marketing is not a major concern of small firms and as shown by this study this is mostly because they are unaware of its benefits and unsure of its value. The knowledgeability of issues related to marketing and `practice of marketing planning is extremely limited within these firms. The gap between what is advocated in theory and what is being done in practice within small firms is enormous. What seems to a marketing specialist as basic and mere common sense, to most small firms is totally unknown. They may have an excellent idea for developing a new product, possess the technical know-how to produce it, but do not dare to do so, because they do not know how to market it. Firms may have a superior product for which a premium price can be charged, but they

do not do so because they are unaware of the market value of their product. Although approaching a marketing consultant is a possibility, as this study identified, firms find the price prohibitive, are unaware of the benefits brought in by the consultant and are unsure of its value for money. Even when they overcome the barrier of the cost they are reluctant to use a marketing consultant because they do not know what criteria to use for their selection and/or to expect from them and essentially how to manage consultants.

In one of the firms there was an outstanding idea for several years based on using their specialist know-how for the production of other products with the same raw material and engineering process. They never attempted to do so. Only when the marketing consultant was brought in and discovered this idea, could he work on it and show by facts and figures the great potentialities of the intended new product and the possibility of developing other new products using the same process. This particular firm developed the new product and marketed it with success. They commented that in future they would call upon an external expert to help them with their marketing problems.

In another case a firm with 220 employees lacked any sort of marketing planning. Although they did not implement the recommendations suggested by the consultant provided by the SFM scheme, they realised that there was a need for planning the marketing activities of the firm and that they were ignoring an important business function. This firm then

employed a marketing director to develop a plan and organise the marketing activities of the firm.

These examples are merely indicative of the lack of awareness of the benefits of marketing planning and contribution of an expert. The examples also show how firm's attitudes can change towards marketing planning and marketing experts.

As discussed in earlier chapters this study identified that the SFM scheme had a positive impact on two major areas:

- increased awareness and understanding of issues related to marketing in general and the need for marketing planning in particular, and

- improved performance.

The question is how can these results affect the DTI policy toward the SFM scheme? Should it be continued? What features need to be changed and where should the emphasis be placed?

To summarise, this study shows that:

- Small and medium sized firms generally lack marketing awareness and understanding and rarely practice marketing planning. The situation is 'abysmal' and there is a need to develop an understanding of marketing principles.

- It is unlikely that they will correct this situation on their own initiative. Cost and lack of awareness are major deterrents to its practice.

- They need an external force to help them overcome the barriers of cost and lack of understanding and encourage them to practice marketing planning.

Following comments made in in-depth pilot interviews support the above:

> We would find it very difficult to find the right consultant and it would be much more expensive.

> Would have been frightened by the cost.

> We would not go to look for them. I would have carried on. The scheme enabled me to confirm and have additional input in terms of ideas about the sale of our products, for a very good value for money. Many firms that you will interview would not go and pay the high fee. We did it because of the scheme.

> One of the problems we have is that we are very isolated from professional people. It is particularly useful for me and my colleagues to get in touch with professionals in this field to see and to get a sense of what is available.

Therefore it is suggested that:

- The DTI should continue the SFM scheme as means to help the small and medium sized firms.

- There should be a greater emphasis on client learning and development of capabilities. This development of client capabilities should consider the following areas:

  Increased awareness of issues related to marketing.

  Increased awareness of the benefits of marketing planning.

  Learning how to manage an external expert

Research shows that access to low cost credit devised in the USA to help small and medium sized firms has been of a limited impact compared to assistance in the form of in-depth strategic planning (Watts and Bizzel, 1988). The SFM scheme provides planning assistance. Its interesting feature is that it requires not only financial involvement of the client but also a contribution of his time. This is an important characteristic that should be maintained as it encourages the client firm to collaborate more and get more out of the exercise.

This study shows that client learning and the development of client capability should be a major concern. The SFM scheme is one method of helping small and medium sized firms to improve their understanding and awareness of marketing function and marketing planning. It can be argued that this could be also done by other methods such as training. This

research was not concerned with a comparative study of this method of assistance versus others. Although other methods of assistance can be contemplated, it should be remembered, that one of the most important characteristics of this scheme is its "action learning" feature (Houlden, 1990) and that the merits of the SFM scheme lies in the fact that it takes firms through the planning process. This involvement is an effective way of learning.

In the case of the SFM scheme, the intervention of an external expert not only produces a marketing plan, but also increases awareness of issues related to marketing and marketing planning. Increased understanding of marketing and marketing planning will encourage firms to practice marketing planing further in future.

Therefore the objective of a scheme of this nature should be that at the end of such intervention a client firm

- has developed its knowledge of marketing,
- has realised the benefits of marketing planning,
- has learned how to work with a consultant and
- has obtained a plan document which helps to develop his future activities.

If these objectives are achieved then the client firm is encouraged to implement the recommendations contained in the plan and continue marketing planning in future.

U. E. M.

It can be argued that firms have rated the SFM scheme highly, because for most of the firms this is the first intervention of this nature. The consequent interventions may not be conceived as so positive. This argument is not a shortcoming of the SFM scheme, rather it raises the issue of what further activities need to be undertaken and in what way so that lasting results can be produced. In fact this process brings a firm to a new state of equilibrium. It should not be looked at as an end in itself but as one stage in the development process of the firm. To have lasting results this dynamic should be maintained. The issue that needs to be considered is what other competencies and capabilities firms need to develop in order to continue the process initiated by the SFM scheme and maintain the momentum created by the consultancy process. This point suggest that there is a need for progressive decrease in client dependency on experts.

As discussed previously this study argues that there is a mixed mode in the approach taken by the scheme: 'clinical' and 'systems analysis' approach. This study recommends that 'client learning' should be considered as a major objective which implies more emphasis on the 'clinical' approach. The question is if the combination of the two approaches would improve the impact of marketing consultancy or reduce the effectiveness of each approach taken separately, i. e., is there a 'synergy' or an 'allergy'?

Literature suggest that the two approaches taken together strengthen each other (Archibald, 1970). This study confirms that there is a synergy, but it is difficult to say how much synergy is obtained. There is a synergy in the sense that although there is a "clinical" approach where the objective is the development of the client capability, at the same time the presence of the "systems analysis" approach gives focus and purpose. The scheme contractor, client and the external expert all know to what end they are working and have a point of reference. The plan document functions as a working instrument. The allergy may come as a result of the preoccupation with the preparation of a plan, which can deviate from the 'clinical' purpose, with the development of client capability as its main objective.

10.4.2 IMPLICATIONS FOR THE SCHEME CONTRACTOR

In what ways can this study be of benefit to the scheme contractor at the University of Warwick?

This study indicates three areas in which the scheme can improve its functioning:

- How to approach the client firm when trying to promote the SFM scheme, i.e., what benefits to emphasise when meeting them.

- How to brief a consultant as to the mode of consultancy.

- How to prepare senior industrialists for their job.

In the previous section it was mentioned that the merits of the SFM scheme lie in the fact that it takes firms through the planning process. It was also mentioned that one major outcome of the SFM scheme is its impact on awareness and understanding of the client firm. The results also show that the scheme has contributed to the performance of the firms. Based on the results of this study the following recommendations are suggested to the scheme contractor:

- When approaching the client firm, the main objective should be to help him understand the importance of the marketing planning within the firm. The objective should be that even if they don't end up using this particular scheme, they have been sensitised towards the need for marketing planning.

- Preparing firms on how to manage a consultant should be a priority for the scheme contractor. When briefing firms on how to manage the consultant, firms should be encouraged to participate in the planning process and provide the external expert with all the relevant information and ideas they possess. At the end of this process, the client firm should be capable of using a marketing consultant when needed and to manage him in the best way for the benefits of his firm.

- When briefing consultants, the SFM scheme should emphasise that their major objective has to be not only the development of a strategic marketing plan but also the enhancement of the client capability.

This indeed can be a dilemma for the scheme contractor. The scheme contractor needs to evaluate the performance of the marketing consultant in order to ensure that a certain standard of quality in consultancy is achieved. Generally this is done by looking at the components of the plan and deciding how comprehensive it is using the normative literature as a point of reference. Nevertheless this should not be the only concern. Plan output is only one aspect of this process. The other aspect is the development of the client's capability which is far more difficult for the scheme contractor to evaluate.

10.4.3   IMPLICATIONS FOR THE CONSULTANT

A number of relationships and results are of particular interest to consultants. As discussed earlier, one of the factors affecting the perceived value of consultancy scheme provided by Support for Marketing is the increased knowledgeability of the client firm. Increased knowledgeability has a positive impact on implementation of recommendations which in its turn improves firm's performance. It also is related to further practice of marketing planning. Furthermore, the results identify that the development of client knowledgeability is related to consultant's performance.

A plan, no matter how comprehensive is not of any value if it is not implemented. Lack of implementation justifiably has been considered as one of the main reasons for the

failure of marketing planning. The results identify that when firms develop a better knowledge of marketing, they tend to implement more recommendations. This result clearly indicates that consultants should consider the development of client knowledgeability and capability as a major objective in their intervention. The recommendations might be crystal clear for the consultant himself or any other individual with knowledge and understanding of marketing, but it may not be for the client firm. The consultant needs to convince the client firm of the validity of his recommendations and leave them clear enough for the client firm to act upon. The consultant needs to recognise that his language or rationale may not be understood by the client firm. He needs to make sure that the client firm understands them and through this process the client can develop his capabilities and understanding of marketing.

Another important issue that needs to be considered very seriously by the consultant is the specific nature of firms that are asking for the intervention. These are small/medium sized firms with a very limited practice of marketing planning, mostly with nobody with specialised marketing knowledge responsible for the marketing activities of the firm. The audience in such firms is totally different from firms that have established marketing departments with marketing personnel. The consultant needs to recognise this difference and adapt his intervention to the specific characteristics of the small/medium sized firms.

Another consideration is that the consultancy process may increase or decrease the client's dependency on the consultant. This can produce a vicious circle where the client loses his confidence and becomes totally dependent on the expert, or alternatively, it can generate a virtuous model where the client learns when and how to use an expert. This is an issue that should be regarded seriously both by consultant and client.

Therefore it is recommended:

- The consultant needs to realise that his responsibility is not only the preparation of a strategic marketing plan. The development of the client capability must also be a major concern.

- To achieve these objective, the consultant needs to adopt a clinical approach to planning. A prescriptive approach to planning entails providing the client with a ready-made solution. In this way the client may not acquire enough competence to solve the same kind or similar problems in the future.

- To involve the client firm as much as possible in the planning process.

- Consider the client and his inputs and views as a valuable and important source of information.

- Avoid strong dependence of the client on the expert. Increased dependency will impede the client's ability to develop capacities to diagnose and solve problems.

10.4.4 IMPLICATION FOR OTHER SMALL AND MEDIUM SIZED FIRMS

The sample in this study is a twice self-selected sample. It is a twice self-selected sample in the sense that first there was a sample of firms that chose to apply for the SFM scheme and later a sample of these firms chose to respond to the questionnaire. This study also considers a group of small and medium sized firms which applied for the Support for Marketing scheme in a particular geographical area, i.e. the Midlands. Firms which chose to respond are mostly from three groups of Industrial Classification, namely:

- metal goods, engineering and fishing (37.8%).
- other manufacturing industries (25.6%).
- banking, finance, insurance, and business (13.4%).

Considering these facts, the question may arise of how specific are the results and how generalisable are they? Is there any reason for a particular conclusion to be true for one sector rather than the other? A big percentage of the sample is from a declining sector. How does this affect the results in general? The question is if the results obtained in this study are generalisable to other sectors of the industry and to the small firms in general.

The first question to consider is given the sector bias, how atypical are the firms that apply for the SFM? The fact that some firms apply for the SFM scheme and others do not may suggest that there is a difference between them. It can be argued that firms that apply for the Support for Marketing scheme have already some level of awareness and interest and are slightly above average in terms of their knowledge of their external environment, and possibly also, in terms of their initial pre-disposition towards learning and understanding. This argument, given the limited practice of marketing planning, reinforces the need for schemes such as the Support for Marketing. It also implies that it is necessary to find ways of attracting firms that are below average in terms of their awareness and interest.

The question of the sector bias is of course a rather different issue but also less critical. First, in terms of national economic performance, it is now widely recognised that the manufacturing and engineering sectors remain critical. The old argument that a successful economy could be built purely around "services" is now recognised as at best optimistic and at worst totally misleading. Therefore the competitiveness of manufacturing and engineering remains a key concern in any approach to national economic success. Second, the reports and researches in the area of marketing planning are widely indicative of the low practice of marketing planning within firms and in particular small and medium sized firms. Although the sample does not represent all sectors and all regions, there is no reason to believe

that other small and medium sized firms do not have the same problems and such a scheme would not be of interest to them. Therefore the limited evidence on marketing knowledge and application in other growing centres of the economy tends to reinforce the results found in the sample. There is little reason to believe that the general results in terms of both the current situation and the likely benefits of the SFM scheme would be different for a less bias sample.

What this study suggests is that the planning process as devised by the SFM scheme increases knowledgeability within small firms. The increased knowledgeability encourages firm to implement the recommendations contained in the plan and use planning in future. Certainly this result can not be limited to the Midlands nor to a particular sector. The fact that marketing consultancy has positively influenced the performance of even a declining sector shows how important and beneficial its effect can be.

10.5 LIMITATIONS

10.5.1 IMPACT ON PERFORMANCE

The prime motive of firms for using the SFM scheme was to improve their performance, which was also the major objective of the scheme itself. Therefore, a positive impact on performance of firms is an important issue. In this study, however, firms did not have enough time to implement all the recommendations offered by the consultant, and therefore could not see the full results of his

intervention. All the results relating to the impact of the SFM scheme on performance should be looked at with this limitation in mind. This matter could be addressed fully only at later stages.

10.5.2 A CRITICAL VIEW OF THE METHODOLOGY

This study looked at the impact of marketing planning on client capability, when such a plan is provided by an external expert. While there have been a number of studies which looked at the practice of marketing planning in firms, there has not yet been any empirical research to see the effect of the planning process on client capability. In this study the increased knowledgeability and capability in the client firm has been used as an intermediate measures of the impact of the SFM scheme.

In Chapter seven the methodology used for this research was described. The research used a questionnaire approach. The questionnaire was based on the in-depth interviews with firms and the administrators of the scheme. How sound is the methodology used in this study and what other approaches could be considered?

This study set to look at the impact of marketing consultancy on small and medium-sized firms. To collect the data, two methods could be employed: questionnaire or in-depth interviews. There are advantages and disadvantages associated with each approach.

One of the limitations of a questionnaire approach is believed to be the possibility of misinterpretation of a question by respondents and therefore the responses may not constitute a reliable source of information. It is believed that an in-depth interview approach would provide a more accurate set of responses and there would be the possibility of clarifying the responses in case any question is misunderstood. Although interview permits the clarification of the issues, the in-depth personal interviewing of one individual in each company would be of limited additional value (and considerable extra cost). As it is extremely time consuming for the researcher and the client firm to have an in-depth interview, less cases can be considered and therefore less responses are obtained. This has two negative consequences: it is less representative and it is not possible to use statistical techniques capable of describing the relationships between variables. The in-depth interview approach can more easily incorporate the bias brought in by the researcher. These limitations indicate that this approach for data collection has its own shortcomings and would be of limited additional value.

Although questionnaires may lead to misinterpretations by respondents, it is possible to avoid or minimise them. In the case of this study it was possible to control the responses in two ways: the reports of the senior industrialist and the pilot interviews. As was mentioned earlier the results obtained based on the senior industrialist's report are in agreement with the results

obtained through the survey. The comments made by firms in the interviews mostly confirm the conclusions obtained from the survey. In this case the questionnaire approach generated more results and through statistical techniques more generisable conclusions.

To avoid the limitations associated with the in-depth interviews and the questionnaire approach to data collection, other methods could be considered.

One possibility would be a radically different research design which either involved extensive triangulation of questionnaires (with completion by one or more members of the company and the consultant concerned). This approach would be of limited value in this case given the availability of senior industrialist's reports anyway.

Another possibility would be the option related to the observation of the process itself. In this study, the evaluation of the scheme and the consultant was based on the firm's perception. Evaluation based on perception has known limitations (Oppenheim, 1966). The question is if there is any other way to evaluate the scheme/consultant. One such method would be the evaluation based on personal observation of the process by the researcher. This provides more substantiated results for the measurement of the quality of the process. It also permits verification of how much interaction exists between client and consultant, how much input the client puts into the process and to what extent

the consultant tries to involve the client in the planning process. This method combined with the study of all the documents and notes produced would provide an interesting source of information. However this methodology although sound, would require a much longer time span, and therefore it is suggested for future studies.

At this point it is necessary to clarify another issue. As reported in Chapter Four, marketing planning can be a source of benefit to the firm. The advantages of marketing planning were also listed in that chapter. An interesting research issue to consider would be to see if the marketing planning process provided by the SFM scheme has produced the claimed benefits in the firms that used it. Looking at the firms and seeing if in fact marketing planning has produced such benefits would be worthwhile. However, the objective of this study at this stage was to see if firms understand and accept marketing planning as a tool for management and are ready to implement it in their organisation. Once it has been acknowledged as a useful tool and has been implemented within the firm, then it should be developed to a point where it can produce the suggested benefits. At that time, it would be interesting and useful to verify how far the marketing planning system is producing the claimed benefits.

It is important to notice that the implementation of marketing planning process within an organisation and its effect may take some time to appear. Marketing planning is not a pain killer that when taken relieves pain after a

short time. It is more important to find out the reasons behind the pain and then try to eliminate them. The pain killer merely removes the pain but does not eliminate the source of the pain. To have the benefits listed in Chapter Four, firms need to establish first marketing planning as a system in their organisation and use it as a management tool and let this instrument become more and more developed. Only then the full benefits may appear.

10.5.3 MEASUREMENT OF KNOWLEDGEABILITY VARIABLES AND IMPLEMENTATION

The study considered in detail the impact of the SFM scheme on knowledgeability in firms and their awareness of marketing planning and its benefits. The measures used for evaluation of knowledgeability variables involved self-assessment by the respondents. Significant differences may arise as a result of this procedure (Oppenheim, 1966). Knowledgeability has been used as an intermediate variable to evaluate the impact of the consultancy process which may bring a positive bias in the evaluation of the SFM scheme.

Generally when measuring something, the tendency is to design the questionnaire in such a way so that one gets high responses about a positive attitude towards a service, system, etc. In this case, it can be argued that the questionnaire was designed in a way that there was the possibility of getting high responses in relation to the satisfaction with the SFM scheme and/or its impact on knowledgeability.

The above limitation may suggest the need for the development of more sophisticated measures of knowledgeability. Nevertheless, with regard to this study, a number of points were clarified in Chapter Nine. Reviewing those points briefly:

- The cost of the SFM scheme was a major issue for small/medium sized firms, who were highly cost-conscious and as a result, very critical towards the benefits of the SFM scheme. This was very apparent in the interviews and later, in the survey. Therefore, they would be unlikely to attribute value to the SFM scheme where it did not genuinely contribute.

- If there is any bias, it would not be in exaggerating the contribution of the SFM scheme. In the interviews, firms would very readily make comments such as: "no, the scheme did not help in this regard. We already knew it and were practicing it". When probed about the benefits, firms would be sure to highlight those issues where the consultants were of little help to them.

- In most cases (see Chapters Eight and Nine) evaluation of this research confirms the appraisal of the senior industrialist. Where it differs is in the claimed area of the practice of marketing planning, which proved to have been exaggerated by firms. Here, again, one could expect that firms would underestimate the positive impact of the scheme.

- Finally, if there is a bias, firms would be rating '1' (strongly agree) instead of '2' (agree). There is little possibility that firms would rate '1' where they should have rated '4' (disagree).

Another difficulty in measurement was related to the implementation of recommendations. A major difficulty faced was how to look at the implementation of recommendations in an effective way? It was thought that the most effective way, in a research of this nature, would be to hand a list of all recommendations to a particular firm and ask which of them had been implemented. This was not possible due to internal regulations of the SFM scheme. The solution was to enquire about the implementation in connection to a group of recommendations to see as a whole how much and how far the recommendations had been implemented.

10.6 FURTHER RESEARCH

As was mentioned previously (Chapters Eight and Nine), this study could not consider the full impact on performance. Further research requires the establishment of adequate measures for the evaluation of the impact on performance. It also requires the selection of an untreated matched sample to isolate the effect which resulted from the use of the SFM scheme. In the advantages of the matching procedure Storey et al (1988, p. 2), in a study of 'fast growth businesses' assert:

The advantage of the matching procedure, however, is that it enables us to determine the extent to which the particularly good performance of an individual firm is attributable to the sector in which it operates. It is also possible to allow for differences in firm age and the extent to which performance is a reflection of the individuals who constitute its ownership and management.

However, the identification of a matched sample introduces problems, and the criteria for its selection are not clear. For instance, in the above study, Storey et al (1988) consider firms with 'broadly similar age', having 'a broadly similar ownership structure' and being in 'identical trade' as criteria for matching procedure, which is clearly insufficient for matching purposes. A number of other factors of equal importance or more so need to be considered. Although the concept of the matched sample sounds valid, its use in practice requires much careful consideration.

Further research is also required to see whether or not as a result of the Support for Marketing scheme intervention, the practice of marketing planning has increased in small/medium sized firms. It is important to see if firms are practising marketing planning, if it is being practised in a systematic fashion and more importantly what impact it is having. This will illustrate if the SFM scheme intervention has

contributed to the 'substance' rather than the 'trappings' of marketing planning (Ames, 1970).

This study identified that the operation of the SFM scheme requires a close relationship between the consultant and the client. In Chapter Five it was argued that a consultant may adopt a prescriptive approach or a process-orientated style towards consultancy. An interesting issue to address would be the style of marketing consultancy and its impact on firms. It would be interesting to look at the level of client-satisfaction and impact on performance for both prescriptive and process-orientated consultancy.

This study looked at the impact of marketing consultancy on small/medium sized firms when a monitoring system was in operation. The SFM scheme closely monitored the whole process of consultancy. Also worth considering is the impact of marketing consultancy in the absence of such a monitoring system. Would small/medium sized firms be able to go through the process of selecting a consultant, agreeing on the terms of reference and extracting the full benefits of marketing consultancy in the absence of a monitoring system?

APPENDIX 1.1

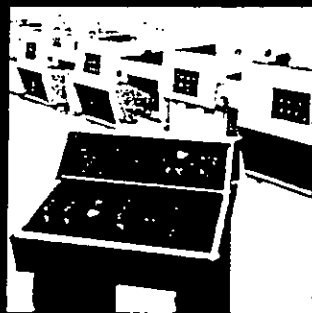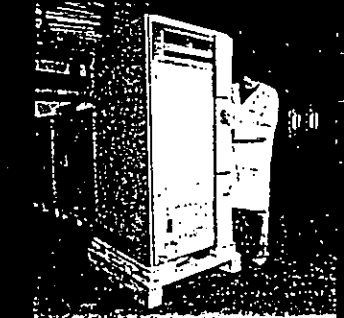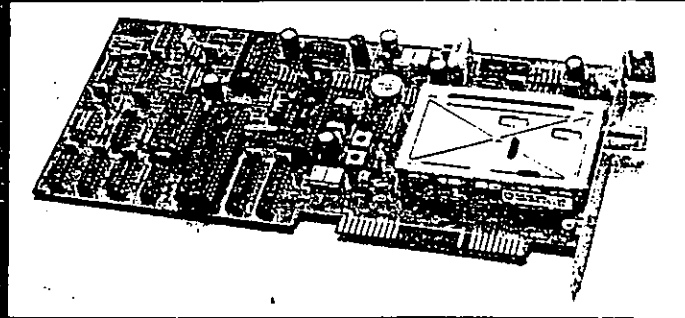A brochure which explains the aims and objectives of the Support for Marketing scheme.

The Institute of Marketing

Managed by the
Institute of Marketing
on behalf of the
Department of Trade and Industry

support for
marketing

Support for Marketing Initiative – How the Scheme Works

It is now widely accepted that sustained growth in business, in profit and jobs can only come from better performance in the market place and an increased share of world trade, in both export and import substitution.

support for
marketing

The Support for Marketing Initiative has been introduced to help small and medium size firms raise their marketing effectiveness and performance to the level achieved in the most successful UK and international businesses.

This important initiative forms parts of the Department of Trade and Industry's Business and Technical Advisory Services (BTAS), and is managed by the Institute of Marketing on behalf of the DTI.

Support Offered   You can obtain from 8 to 15 days of assistance from a specialist marketing consultant. There is no charge for the first two days, which includes the preparation of the detailed assignment to be carried

out by the marketing consultant. For the remainder, you will be required to pay from your own resources only **one third of the cost**, the balance being borne by the DTI.

Confidentiality   The service is completely confidential. No work will be disclosed without your prior approval.

Eligibility   Support is available anywhere in Great Britain to independent firms or groups with 1–500 employees. Each firm or group will be entitled to one assisted project only. Assistance cannot be offered retrospectively.

Qualifying Criteria   To qualify for assistance, you will need firstly to be able to demonstrate that any project which is undertaken forms part of a sound business plan and that the benefits will lead to an increase in international competitiveness within a reasonable time scale.

The SFM initiative itself is aimed at firms which require assistance in developing their marketing strategies and overall marketing plan, as opposed to one of the elements of marketing.

For example, a firm requiring help in developing an advertising plan or a market research project would not qualify for assistance, but one requiring help in defining a marketing strategy for its products or services in the UK and/or international markets would qualify.

How the Service Works   Your firm will be visited by a senior industrialist, usually a former managing director or marketing director, with wide industrial experience, who will discuss your specific needs.

If a project is agreed, an appropriate marketing consultancy organisation will be asked to prepare a

PROGRESS SO FAR

Since the Support for Marketing initiative was launched in September 1986 a wide range of enterprises throughout Great Britain have received assistance from what has proved to be one of the most popular of the DTI's advisory services.

Three quarters of them have been firms employing fewer than fifty people: more than two thirds of them have been firms manufacturing industrial or consumer products.

The firms featured in this leaflet are real businesses. They illustrate the diversity of those which have already received assistance and are looking forward to reaping the benefits of their greater marketing effectiveness.

Burlington Slate Ltd.

Burlington Slate Ltd. of Cumbria, with 180 employees and an export market for over 50% of its production, occupies a leading position in quarried roof slates.

Mr. D.C. Wallace, Burlington's Managing Director, is confident that the recent strategy suggested by the SFM consultants will enable the company to design, develop and launch a completely new product, which in turn will expand their share of the roof tile market and increase overall profitability.

Consultants: Salford University Business Services Ltd.
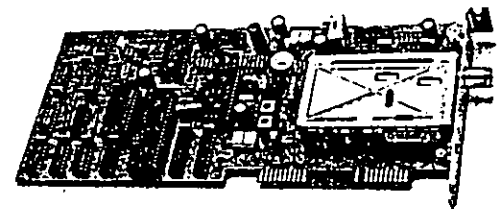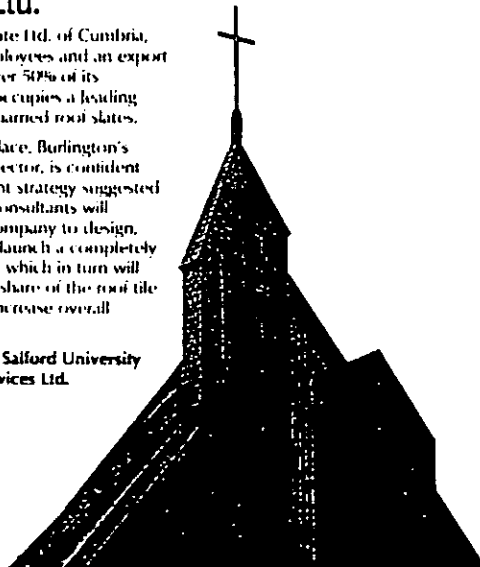
IGG Industries Limited

IGG Industries Limited encompasses a wide area of business activity and includes the areas of communications, electronics, process management and control systems, and street furniture. It employs 110 people and operates from the Portsmouth area in the UK.

In the communication area, the company market teletext related products, including its advance Data Text decoder capable of storing and decoding information from a teletext Subscription User Group Service. In addition, the

company also acts as a distributor of data transmission on the IBA television network as well as providing a full turnkey data communication service.

Mr. H.G. Metzgen, the Joint Managing Director, was very impressed with the SFM project and wished that the scheme had been available years ago.

The advice given to IGG will enable them to establish a considerable market both in the UK and abroad.

Consultants: Newchurch & Co., London

Cornish Stairways Ltd.

Cornish Stairways Ltd. of Perry in Cornwall is a market leader in precast concrete feature spiral stairways, mainly for prestige buildings. They have a highly skilled workforce of twenty employers.

Apart from a very buoyant home market, they have worked on a number of palaces in the Near East.

Their Managing Director, Mr. M.L. Jordan, says that the project

undertaken by the SFM initiative has been "superb" and will greatly assist the company in opening up new markets in Europe.

Consultants: Stephen Hughes, Birmingham

DTI
Department
of Trade
and Industry

I/M
Managed by the
Institute of Marketing
on behalf of the
Department of Trade and Industry

HEAD OFFICE
The Institute of Marketing

SCOTLAND
Scottish Marketing
Projects
University of
Strathclyde

THE NORTH
Salford University
Business Services Limited

**MIDLANDS &
SOUTH WEST**
School of Industrial
& Business Studies
University of Warwick

SOUTH & SOUTH EAST
Marketing & Logistics
Group
Cranfield School
of Management

detailed specification for the assignment. Once this specification has been accepted by all concerned, the marketing consultant will be asked to go ahead with the project.

All consultancy companies undertaking work on the SFM initiative have had to satisfy stringent entry criteria as to their professional standing and competence. Each company has also been required to sign a Code of Professional Conduct which, in particular, ensures that they will only accept assignments they are qualified and able to carry out.

Application Procedure There are no application forms. Requests for further information can be made to one of the four regional contact points listed overleaf, Scotland, the North, Midlands & South West and South & South East.

Butterworth Clifford

Managing Director Mr. R.B. Bowker has stated that the report submitted by the SFM consultancy had already become invaluable to the progress of Butterworth Clifford.

The company, with a workforce of 70, were already implementing the report's recommendations and achieving greater market penetration as a result.

New product development and further diversification is being carried out to strengthen Butterworth Clifford's strong hold in the field of specialist wood and corrugated heavy duty cases, and their very important export packing and shipping services.

Consultants: Baldwin Associates, Manchester

Hibass

This Wellingborough based company has a skilled workforce of 46 and makes equipment used in the manufacture of printed circuit boards.

Commenting on the scheme, Mr. Jim Bass of Hibass said that the SFM initiative "was just what was needed".

In assisting the company to develop a cohesive marketing strategy, two important aspects

were examined by the consultants, which greatly helped the firm in its marketing approach. A total survey of its market was undertaken and a study of the company's position in the market place was thoroughly investigated, leading to new growth opportunities, in particular with its small and large customers.

Consultants: Anthony Nevile International, Surrey

Chellecraft Originals

The aim of Chellecraft Originals is to double the volume of their Teddy Bear market in two years.

The company employs 7 staff at its factory, backed up by 30 outdoor workers. 25% of all it makes already goes overseas.

Mr. Miller-Hannah openly admits that he would never have been able to obtain the highly professional advice given by SFM had he been operating alone. He is particularly pleased that as a direct result of one of the consultant's ideas, Chellecraft Teddy Bears are sold in-flight on some well-known airlines.

Consultants: CF Business Developments, Wittersham, Kent

Golf Classics

Bob Millar, the production director and designer of Golf Classics, is pictured with the company's latest addition to its range of hand-made wooden putters.

Golf Classics, who employ some twelve craftsmen, manufacture by hand, wooden putters to a traditional Scottish design. These are made for normal use with hickory shafts, sheepskin grips, the weight added to the back of the head, rams horn fitted to the leading edge and the heads "scared" or spliced to the shaft.

The Managing Director, David Low, has commented that although it will take time for the full benefits of SFM to filter through, there were two very important recommendations which the company were able to act upon with immediate effect.

Consultants: Dunedin Management Consulting Ltd. Edinburgh

support for marketing

HEAD OFFICE
The Institute of Marketing
Moor Hall, Cookham, Maidenhead
Berkshire SL6 9QH
Telephone Bourne End (062 85) 24922
Telex No. 849462 TELFAC G
Fax 06285 31382

SCOTLAND
Scottish Marketing Projects
University of Strathclyde
Stenhouse Building
173 Cathedral Street
Glasgow G4 0RQ
Telephone 041 552 1162

THE NORTH
Salford University Business Services Limited
Salbec House
Salford M6 6GS
Telephone 061 736 2843

COUNTIES:

NORTH EAST	YORKSHIRE AND HUMBERSIDE
Northumberland	North Yorkshire
Tyne and Wear	West Yorkshire
Durham	South Yorkshire
Cleveland	Humberside
NORTH WEST	NORTH WALES
Cumbria	Clwyd
Lancashire	Gwynedd
Merseyside	
Greater Manchester	
Cheshire	
The High Peak District of Derbyshire	

MIDLANDS & SOUTH WEST
University of Warwick
School of Industrial & Business Studies
Coventry CV4 7AL
Telephone 0203 523523

COUNTIES:

Lincolnshire	Dyfed
Derbyshire (South)	West Glamorgan
Nottinghamshire	Mid Glamorgan
Leicestershire	South Glamorgan
Northamptonshire	Gwent
Staffordshire	Gloucestershire
West Midlands	Avon
Warwickshire	Wiltshire
Shropshire	Dorset
Herefordshire	Somerset
Worcestershire	Devon
Powys	Cornwall

SOUTH & SOUTH EAST
Marketing & Logistics Group
Cranfield School of Management
Cranfield, Bedford MK43 0AL
Telephone 0234 751122
               0234 750864 (ANSWERPHONE)

COUNTIES:

Norfolk	Buckinghamshire
Suffolk	Berkshire
Cambridgeshire	Greater London
Bedfordshire	Surrey
Hertfordshire	Hampshire
Essex	West and East Sussex
Oxfordshire	Kent
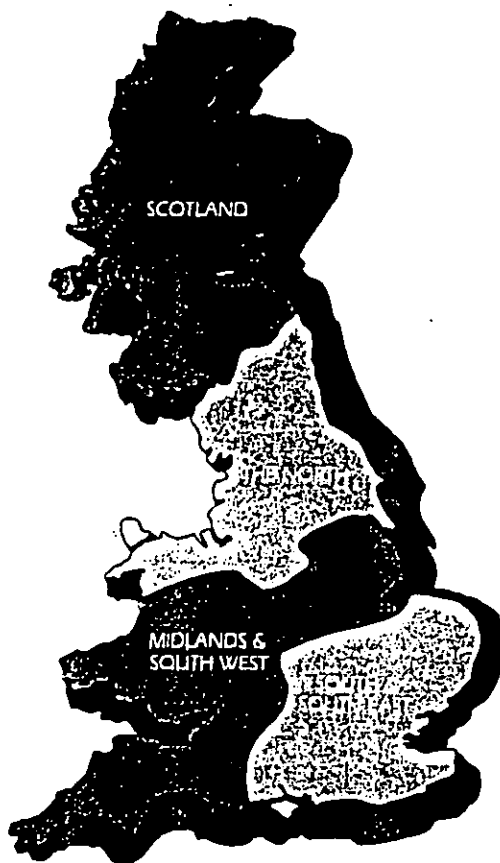
FURTHER INFORMATION

Information and advice on other Government assistance schemes can be obtained from the DTI regional offices listed below:

North East Stanegate House, 2 Groat Market, Newcastle upon Tyne NE1 1YN
Telephone (0632) 324722

North West Sunley Buildings, Piccadilly Plaza, Manchester M1 4BA
Telephone 061-236 2171 EXTENSION 646

Yorkshire and Humberside Priestley House, Park Row, Leeds LS1 5LF
Telephone (0532) 443171 EXTENSION 244

East Midlands Severns House, 20 Middle Pavement, Nottingham NG1 7DW
Telephone (0602) 560181 EXTENSION 364

West Midlands Laywood House, Stephenson Street, Birmingham B2 4DT
Telephone 021-632 4111 EXTENSION 511

South West The Pithay, Bristol BS1 2PB
Telephone (0272) 272666 EXTENSION 234

South East Ebury Bridge House, 2-18 Ebury Bridge Road, London SW1W 8QD
Telephone 01-730 9678 EXTENSION 420

Scotland Scottish Office, Industry Department for Scotland, Alhambra House, 45 Waterloo Street, Glasgow G2 6AT
Telephone 041-248 2855 EXTENSION 478

Wales Welsh Office, Industry Department, Cathays Park, Cardiff CF1 3NO
Telephone (0222) 825111 EXTENSION 3976

Northern Ireland Department of Economic Development, Netherleigh, Massey Avenue, Belfast BT4 2JP
Telephone (0232) 63244

APPENDIX 1.2

Senior industrialist's initial report.

support for marketing

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Private and confidential — **S/I INITIAL REPORT**

Company visited _____

Report by senior industrialist _____

_____

_____

_____

Reference number _____

_____

Date _____

Telephone number _____

Duration of visit _____

Contact _____

Position _____

Main industry/business _____

Number of employees [_____] On site [_____] In group _____

Action required _____

_____

_____

REPORT

1 Initial discussion

_____

2 Company details

_____

2.1 Company ownership

Turnover _____ Profit _____ Export _____ No. of years trading _____

2.2 Existence of Sound Business Plan

_____

2.3 Use of Computers

_____

2.4 Organisation/Marketing expertise in–house

_____

3 Marketing Audit

_____

3.1 Strategic Objectives

_____

3.2 Existence of Marketing Plan

_____

3.3 Understanding of Market Place

End Customer _____ Direct Customers (e.g. Retailers) _____ Competition _____

3.4 Availability of Market Research Information

_____

continued

support for marketing

3 Analysis of Existing Business

Sales Analysis Detail – Market Region _____   Percentage of sales turnover through Major Customers _____

Current Margins _____   Marketing Costs related to Sales-Turnover _____

Publicity Plans and Expenditure

Perceived Weaknesses and Strengths

Factory Tour/Manufacturing Facilities

Previous Use of Consultants

Membership of Trade Associations

Company Auditors   _____

Potential Project – Quantifiable Benefits, International Competition, Timescale

Overall Conclusions

Preferred Consultant

APPENDIX 1.3

Subject brief for consultant, which gives a description of the task to be undertaken.

support for marketing

University of Warwick
School of Industrial &
Business Studies
Coventry CV4 7AL
Tel 0203 523523

SUBJECT BRIEF FOR CONSULTANT

Consultant

Project reference number ___

Date ___ 25 April 1988

Subject Brief for potential Support for Marketing Project

arising from a visit to _

by ___ J ___

Contact ____   Position ___

Date of visit .   Telephone number ___

REMARKS

1. THE COMPANY

   The Company manufactures and distributes bathroom accessories and
   garden equipment.   Details contained in the attached Senior
   Industrialist's report and notes and in the financial statements
   and Product Brochures also attached.

2. STRATEGIC OBJECTIVES

   Currently stated as being to meet the parent Company's ROCE target
   whilst doubling turnover in three to five years.   These objectives
   need to be more clearly defined and quanitified as part of the project.

3. THE PROJECT

   i)   To review the markets in which the Company is operating
         and assess its strengths and weaknesses.

   ii)   To prepare an overall marketing strategy which will :-

         a.   Examine the present product range and levels of
              profitability.

         b.   Identify specific profitable opportunities.

<div align="right">Cont...2</div>

As soon as possible please inform your SFM office of the date on
which an appointment has been made to carry out a Terms of
Reference visit to the Company.

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Cont.

    c.   Define the most appropriate methods and structure
that will enable the Company to exploit the
opportunities.

    d.   Assess the present "selling" operation.

    e.   Set clear objectives and priorities.

    f.   Recommend the direction in which the Company should
move and prepare an action plan with key targets
and dates which will achieve the corporate objectives
against an agreed timescale and within the Company's
resources.

APPENDIX 1.4

The range of elements that need to be addressed by the consultant.

PROJECT ASSESSMENT

S.C. PROJECT NUMBER

DTI REGION & CASE NO.
CLIENT
CONSULTANT
PROJECT DURATION-CONS. DAYS
ASSESSOR 1
ASSESSOR 2

COMMENTS

Assessments table

PHASE PCT 1 ALC	ELEMENTS	CIRCLE OVERALL ASESSMENT	EXCELL 1 / A	GOOD 2 / B	3 / C	AVG / D	5 / E	6 / F	MARGINAL 7 / G	8 / H	U/S / I	/ J	
2	APPRAISAL HISTORIC/CURRENT SALES PERF.	SCORE											I
	(existing products in existing markets)												
	• by products, T/O, profit contribution												
	• pareto analysis of order values												
	• identification of "dogs", "stars", "cash cows"												
	• pricing and margins												
	• product range rationalisation: maximise contrib'n.												
	• identification of current, lost, inactive customers												
	• evaluation of current promotional activities												
	• " " sales/marketing methods and organ'n.												
	• " " current financial/trading position												
2	IDENTIFICATION OF PRINCIPAL COMPET'RS.	SCORE											II
	• specificity												
	• product/service evaluation												
	• prices and margins												
	• state of health and trends												
	• modes of market access & promotional style												
	MARKET OVERVIEW	SCORE											III
	• structure and dynamics												
	• values												
	• trends and constraints												
	• client position v. competitors												
2	EXTERNAL MARKET SURVEY	SCORE											IV
	• client image v. comp - strengths/weaknesses												
	• products prices sensitivities												
	• means of market access												
2	PRODUCT/SERVICE DEVELOPMENT	SCORE											V
	• what, why, how												
2	MARKET SEGMENTATION	SCORE											VI
	• profiling and identification of prime targets												
	• identification of decision makers												
	• identification of procurement criteria												
	• identification means of market access												
2	SWOT ANALYSIS: ORGAN'L. METHODS. PRODUCTS.	SCORE											VII
	• strengths, weaknesses-internal perceptions												
	• " " -external perceptions												
	• opportunities and threats												
	STRATEGIC OPTIONS ANALYSIS	SCORE											VIII
	• mission statement												
	• corporate objectives quantified and time scaled												
	• degree of focus on corporate objectives												
	• address to client resources of fin. & skills												
	• tightness of rationale (partic. re selected options)												
40%	ACTION PLAN	SCORE											IX
	• degree of specificity												
	• actions prioritised, calendarised, assigned for action												
	• costs of implementation addressed												
	• implementation benefits on forward profit plan												

PHASE	REL PCT
I	
II	
III	
IV	
V	
VI	
VII	
VIII	
IX	
TAL	
	÷100

REPORT ATTRIBUTES	V.GOOD	GOOD	FAIR	POOR
PRESENTATION				
T O R COVERAGE				
SUBSTANTIATED CONTENT				
LUCIDITY				
CONTENT V DURATION CLAIM				

2ND ASSESSMENT NEEDED?
YES/NO

CONSULTANT'S TIME SHEET INSPECTION?
YES/NO

WAS PROJECT SUBJECT TO MID-PROJECT REMEDIAL WORK?	YES/NO
CAN THIS REPORT GO FORWARD TO DTI R/O FOR PCV?	YES/NO
INVESTIGATE FOR REMEDIAL ACTION	YES/NO

INITIAL CLIENT PERCEPTIONS		
	PROJECT	CONSULTANT
WELL SATISFIED		
SATISFIED		
PART SATISFIED		
DISAPPOINTED		
VALUE FOR CLIENT SHARE		
VALUE FOR TOTAL COST		

REMEDIAL ACTION REQUIRED

(a) From a study of the TOR, other relevant case papers and diary notes, make a judgement in assigning a weighting percentage to each of the nine phases. The relative importance of each phase will vary from project to project dependent on the nature of the business, project objectives and state of knowledge/methodology within each client company. It is important that the ACTION PLAN (IX) and its attributes should carry not less than 40% of the weighting.

(2) The scoring grid alongside each element within each phase should be used as an aide-memoire to assign an assessment to each phase (i.e. average the element "ticks" within each phase). Use the 1-10 numerical scale.

(3) To calculate the overall assessment multiply each phase assessment by the phase weight and enter the resultant relative weighting in the table in bottom left-hand corner of the proforma. Total the relative phase weightings and divide by 100 to arrive at the overall assessment. Transfer this assessment to the OVERALL ASSESSMENT box at the top of the assessment grid by circling the appropriate 1 - 5 (EXCELLENT TO U/A) sector of the box.

(4) Complete the remaining REPORT ATTRIBUTE boxes.

(5) If the first assessment is MARGINAL OR UNACCEPTABLE initiate a further assessment by a second assessor.

(6) Contact client for his initial reactions and complete the INITIAL CLIENT PERCEPTIONS box.

(7) Make a judgement as to whether the report can be forwarded to the DTI Regional Office (RO) for a PCV. (Record this decision in the appropriate box).

(8) If remedial work is necessary, determine the character of this and discuss with the client and consultant. Initiate this remedial work, ensuring that it is covered by written correspondence, with clear instructions.

(Record this action in the appropriate box. Put project T-card into the "sin-bin" section of the T-card display).

(9) The REPORT ATTRIBUTES table contains the attribute CONTENT V DURATION CLAIM. If you have any doubt regarding the report work content in relation to the number of paid consultancy days then, in compliance with DTI Auditors' requirements, request a copy of the consultant's time sheets which relate to the project.

APPENDIX 1.5

Senior industrialist's final visit report.

support for marketing

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S/I FINAL VISIT REPORT

Company visited

_____

_____

_____

_____

_____

Report by senior industrialist

_____

_____

Reference number _____

Date _____

Telephone number _____

Contact _____

Main industry/business _____

Number of employees [____] On site [____] In group _____

Other comments _____

_____

_____

_____

Duration of visit _____

Consultant _____

Implementation prospects _____

_____

1 Project title _____

2 Main contact _____

_____

3 Initial reaction to project report

_____

4 Project coverage

_____

5 Implementation of results

_____

6 Direct benefits

_____

Indirect benefits

8 Further assistance

9 Overall assessment

0 Final assessment visit

1 Publicity

APPENDIX 7.1

Copies of the covering letters mailed with the questionnaire.

the
Marketing
Initiative

SUPPORT FOR MARKETING – PROJECT NO W0023

As you know, the School of Industrial and Business Studies at the University of Warwick is the Midlands/West Regional sub-contractor engaged in managing the DTI's Support for Marketing Scheme and, more recently, the Marketing Consultancy element of the New Enterprise Initiative.

As a Business School, we are constantly seeking ways to improve and develop such resources to aid small and medium-sized companies. One of our current interests is to gauge the usefulness of the Support for Marketing Scheme and its effect on companies who have used the Scheme. We would like to identify any possible shortcomings in the Scheme that should be corrected. To this end, we would like to survey a sample number of the companies who have completed their Support for Marketing projects. The sample companies will represent a variety of sizes and business sectors.

We would like to include your Company in this survey. If you agree to take part in this survey will you please complete the enclosed questionnaire and return it to the address shown on the first page of the questionnaire. If you do not agree to take part please advise us with a short letter.

I need hardly add that the information you give will be treated with the same complete confidentiality as that which applied to your marketing project. Additionally, during the analysis of the data, complete anonymity will be preserved.

Your co-operation will be a very valuable contribution towards helping to refine and develop this most popular of the subsidised consultancy initiativies.

With kind regards.

Yours sincerely

S D Lucas
Co-ordinating Manager
Midlands/South West Region

dti
the department for Enterprise

the

Marketing

Initiative

University of Warwick

School of Industrial
& Business Studies
Coventry CV4 7AL

Tel: 0203 523523/523779
Fax: 0203 461606

19 October 1988

Support for Marketing - Project No: W0013

We wrote to you a few weeks ago, enclosing a questionnaire, inviting
your co-operation in a survey of the DTI's Support for Marketing Scheme.
On checking our records we find that we have not yet received a reply.

In the event that our original letter or your response has gone
adrift due to the recent postal strike we enclose, herewith, a further
copy of our original letter and questionnaire.

If, after reading the original letter, you agree to take part in the
survey we would be grateful if you would please return the questionnaire
as soon as possible.

If you do not agree to take part will you please let us know with a
brief reply.

Yours sincerely,

S.D. Lucas
Regional Co-ordinator - Marketing
Midlands/South West Region.

dti
the department for Enterprise

APPENDIX 7.2

Survey of the firms that used the Support for Marketing scheme: Questionnaire.

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the

Marketing

initiative

SUPPORT FOR MARKETING (THE MARKETING INITIATIVE) QUESTIONNAIRE

1. This study is aimed to evaluate the support for Marketing Scheme and its usefulness to the firms in the U.K. Your contribution is essential for an effective evaluation.

2. Please send the completed questionnaire to the

    UNIVERSITY OF WARWICK
    SUPPORT FOR MARKETING (RESEARCH PROJECT)
    S.I.B.S.
    COVENTRY CV4 7AL   (Tel: 0203 523523)

3. This survey includes firms that either used support for Marketing (SFM) Scheme or more recently the Marketing Initiative. To simplify, in the Questionnaire it is always referred to as SFM regardless of the scheme used.

4. Please write your answers, using the space provided. If you require more space for your answers, please use extra sheets at the end of the questionnaire.

dti
the department for Enterprise

IM

RESPONDENT/INTERVIEW IDENTIFICATION

Project no.

1.   Name

2.   Position (please circle)

     1. Managing Director/General Manager   4. Sales Director
     2. Owner   5. Other Director
     3. Marketing Director   6. Other (Please specify)

3.   Name of the company

4.   Date

1. COMPANY IDENTIFICATION

For the following questions please circle as appropriate.

1.1 Which customer types do you have?

1. *Retail/Wholesale*
2. *Services*
3. *Consumer goods manufacturer*
4. *Industrial goods manufacturer*
5. *Other (Please specify)*

1.2 Turnover of the company at the beginning of the project.

1. *Under £100,000*
2. *£100,001-£250,000*
3. *£250,001-£1,000,000*
4. *£1,000,001-£5,000,000*
5. *£5,000,001-£20,000,000*
6. *Over £20,000,000*

1.3 Number of employees at the beginning of the project.

1. *1- 10*   5. *100-199*
2. *11- 19*   6. *200-299*
3. *20- 49*   7. *300-500*
4. *50- 99*

1.4 County

A. EAST MIDLANDS   **B. WEST MIDLANDS**

1. *Derbyshire*   1. *County of West Midlands*
2. *Nottinghamshire*   2. *Staffordshire*
3. *Leicestershire*   3. *Shropshire*
4. *Northamptonshire*   4. *Herefordshire*
5. *Lincolnshire*   5. *Worcestershire*
               6. *Warwickshire*

C. SOUTH WEST   **D. WALES**

1. *Gloucestershire*   1. *West Glamorgan*
2. *Avon*   2. *Mid Glamorgan*
3. *Wiltshire*   3. *South Glamorgan*
4. *Dorset*   4. *Gwent*
5. *Somerset*   5. *Dyfed*
6. *Devon*   6. *Powys*
7. *Cornwall*

1.5 Existence of a general strategic plan at the beginning of the project.

1. *Yes*
2. *No (If no please move to question 1.7)*
3. *Other.(Please elaborate)*

1.6 What was the time scale of the above general strategic plan in 1.6?

1. *Less than a year*
2. *1 year*
3. *2 years*
4. *Up to 5 years*

1.7 How do you classify the overall marketing planning activities of your firm at the beginning of the project. using a scale of 1 to 5?

There was a well defined   *No marketing plan of*
up-dated marketing plan.   *any sort existed.*

     1   *2*   *3*   *4*   *5*

1.8 Organization/Marketing expertise in-house.

1. *No one officially was in charge of marketing.*
2. *Sales persons exercised marketing responsibilities.*
3. *General manager was responsible for marketing activities.*
4. *There was a marketing manager/director.*
5. *Other (Please specify).*

1.9 For which of the following reasons did your company first contact support for marketing (sfm)? (Please circle all that apply.)

1. *To organize the marketing activities of the firm in a formal way.*
2. *To get a professional view from outside the firm regarding our ongoing marketing activities.*
3. *To confirm that our marketing activities, were on the right track.*
4. *To prepare a long term plan.*
5. *Other (Please elaborate)*

1.10 Who in the firm initially had the idea of contacting sfm?

1. *Managing Director*
2. *Owner*
3. *Marketing Director*
4. *Sales Director*
5. *Other Director*
6. *Other (Please specify)*

1.11 Who else was involved in the decision to contact sfm?

1. *No one else*
2. *Managing Director*
3. *Owner*
4. *Marketing Director*
5. *Sales Director*
6. *Other Director*
7. *Other (Please specify)*

1.12 Who is presently in charge of coordinating the implementation of the marketing plan?

1. *Managing Director*
2. *Owner*
3. *Marketing Director*
4. *Sales Director*
5. *Other Director*
6. *Other (Please specify)*

1.13 Who in the future will coordinate the implementation of the marketing plan?

1. *Managing Director*
2. *Owner*
3. *Marketing Director*
4. *Sales Director*
5. *Other Director*
6. *Other (Please specify)*

2 - CREDIBILITY

Below are a number of statements. Please decide if you agree more or less with them, and then rank each statement on a scale of 1 to 5, where

1 - Strongly agree	4 - Disagree
2 - Agree	5 - Strongly disagree (or)
3 - Neither agree nor disagree	n/a - Not applicable (Not covered as a part of the project)

IMPACT OF THE SCHEME IN INCREASING KNOWLEDGE.

		1	2	3	4	5	n/a
2.1	The sfm scheme helped us to have a better understanding of our customers.	1	2	3	4	5	n/a
2.2	The project helped us in improving our understanding of our competitive environment.	1	2	3	4	5	n/a
2.3	The project helped us in improving our perceptions of consumer satisfaction.	1	2	3	4	5	n/a
2.4	The project helped us in developing our price strategy.	1	2	3	4	5	n/a
2.5	The project helped us in developing an advertising strategy.	1	2	3	4	5	n/a
2.6	The project helped us to reduce our dependency on few customers.	1	2	3	4	5	n/a
2.7	The project helped us to reduce our dependency on few suppliers.	1	2	3	4	5	n/a
2.8	The project enabled us to more accurately target the market.	1	2	3	4	5	n/a
2.9	The project improved our internal efficiency.	1	2	3	4	5	n/a
2.10	The project helped us to better understand our company and its position in the market.	1	2	3	4	5	n/a
2.11	The project helped us to better assess the strengths and weaknesses of our firm. a) In terms of organisational skills and resources.	1	2	3	4	5	n/a
	b) In terms of product/product variety..	1	2	3	4	5	n/a
2.12	The project resulted in increased marketing awareness for those directly involved with the scheme...	1	2	3	4	5	n/a
2.13	The project resulted in increased marketing awareness throughout the firm...........	1	2	3	4·	5	n/a
2.14	The project helped in reinforcing and confirming our existing marketing activities. .	1	2	3	4	5	n/a
2.15	The project helped us in identifying new opportunities.	1	2	3	4	5	n/a
2.16	Management and/or staff learnt a great deal from working with the consultant.	1	2	3	4	5	n/a

2.17   What other benefits (besides those mentioned above) you think the scheme provided you and how did it score? Please consider the following scores:

1. Very good
2. Fairly good
3. Average
4. Fairly poor
5. Poor

Please describe the benefits	How did it score?
benefit 1:	1 2 3 4 5
benefit 2:	1 2 3 4 5
benefit 3:	1 2 3 4 5

Evaluation of the Scheme (Support for Marketing and/or the Marketing initiative)

2.18   How did you become aware of the Scheme? (Please circle all that apply.)

1. Institute of Marketing
2. Government organization mailshots
3. Marketing consultants mailshots
4. Marketing consultants seminars
5. Press article

6. TV/Radio
7. Trade Association news letter
8. Trade Association marketing seminars
9. Chamber of Commerce communications
10. Other

For the following questions, please circle the appropriate answer.

2.19   Would you have used a marketing consultant, if it was not for the availability of a subsidised consultancy project?

1. Yes   *2. No*   *If no, why? Please elaborate.*

2.20   Did the scheme prove to be good value compared with the cost to your firm?

1. Very good value
2. Good Value
3. Average value
4. Poor value
5. Very poor value

2.21   If you were expected to finance the project wholly, would it still have been good value for money?

1. Yes   *2. No*   *Please elaborate.*

Please respond to the following questions considering a scale of 1 to 5 where

1. very helpful   *4. unhelpful*
2. helpful   *5. very unhelpful*
3. average

2.22   How helpful was the Senior Industrialist who visited you, in explaining the nature of a strategic marketing project?   1   2   3   4   5   n/a

2.23   How helpful was the Senior Industrialist in briefing you on how to manage the consultant?   1   2   3   4   5   n/a

2.24   How helpful was the Senior Industrialist who visited you overall?   1   2   3   4   5   n/a

2.25   Were you put on a waiting list for the scheme?

1. Yes
2. No

2.26   How did this delay affect your firm? (Please use a scale of 1 to 5)

It did not have any   *It affected our firm*
bad effect on our firm.   *very badly.*

1   2   3   4   5

Please respond to the following questions, considering:

1. very good   *4. fairly poor*
2. fairly good   *5. very poor*
3. average

2.27   Excluding the waiting list how do you score the scheme in connection with the following:

1. Speed of response   1   2   3   4   5
2. Rapid decision making   1   2   3   4   5
3. Efficient execution   1   2   3   4   5
4. Lack of bureaucracy and red tape   1   2   3   4   5

2.28   How do you score the scheme overall

1. In terms of its conception   1   2   3   4   5
2. In terms of its execution   1   2   3   4   5

2.29   Would you recommend the use of scheme to other firms?

1. Strongly recommend
2. Recommend
3. Neither recommend nor disapprove
4. Disapprove
5. Strongly disapprove

2

EVALUATION OF CONSULTANT

For the following questions, please circle the appropriate answer.

2.30   Had you ever used a marketing consultant before?

     1. Yes   *2. No*   *(If so, please move to question 2.32)*

2.31   Did your previous experience with marketing consultant prove to be a worthwhile experience?

                         1. Very worthwhile   *4. Poor value*
                         2. Quite worthwhile   *5. Very poor value*
                         3. Average

2.32   Who chose the consultant?

                         1. Firm
                         2. SFM gave a short list and the firm decided
                         3 SFM (If so, please move to question 2.34)

2.33   How did you choose the consultant?

                         1. We had previous work experience with them.
                         2. They had been recommended to us by others.
                         3. We chose them by using the Institute of Marketing free referral scheme.
                         4. We were approached by the consultant to perform this service.
                         5. Other (please specify).

2.34   In your judgement how familiar was the consultant with the general type
of your business?

     1. Totally familiar with the business.
     2. Though unfamiliar with the business, had an ability to speedily understand it.
     3. A poor grasp of the business and incapable of getting a better grasp of it.

2.35   How relevant is it for the consultant to be knowledgeable about the
general type of firm's business in order to produce a good report?, (Please use a scale of 1 to 5)

        Highly relevant   *Not relevant at all*

          1   *2*   *3*   *4*   *5*

For the following statements, please decide if you agree more or less with them, considering:

     1. Strongly agree   *4. Disagree*
     2. Agree   *5. Strongly disagree*
     3. Neither agree nor disagree

2.36 __   Working with the consultant proved to be a worthwhile exercise.   *1   2   3   4   5*

2.37   I believe that the consultant was well matched with requirements of this firm.   *1   2   3   4   5*

2.38   I would recommend the same consultant to other firms. (non competitive!)   *1   2   3   4   5*

2.39   If I needed a consultant again, I would use the same consultant.   *1   2   3   4   5*

Please respond to the following questions, considering:

     1. Very good   *4. Fairly poor*
     2. Fairly good   *5. Very poor*
     3. Average

2.40   How do you score the consultant in connection with the following:
     1. Ability to communicate and relate to people. *1   2   3   4   5*
     2. Ability to understand and adapt to the specific needs and requirements of the
        individual firm. *1   2   3   4   5*
     3. Competence and professionalism. *1   2   3   4   5*
     4. Ability to understand and define the key problems and issues. *1   2   3   4   5*
     5. Ability to provide sound recommendations...   *1   2   3   4   5*
     6. Enthusiasm and active involvement in the project. *1   2   3   4   5*
     7. The quality of the report produced by consultant. *1   2   3   4   5*

2.41   What is your overall assessment of the consultant?

     1. Very good   *4. Poor*
     2. Good   *5. Very poor*
     3. Average

2.42   To what extent does the report reflect the amount of work accomplished during the project? Please use a scale of 1 to 5.

       All the work produced by the   *The consultant produced much more*
       consultant is completely reflected in   *work which is not reflected in this*
         the report   *report*

          1   *2*   *3*   *4*   *5*

2.43   How understandable was the language used in the report, using a scale of 1 to 5?

Very easy   Very difficult
to understand   to understand

    1   2   3   4   5
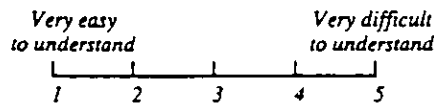
2.44   How do you rate, the value of the external research data brought in by the consultant?

Very high value   Very low value

    1   2   3   4   5
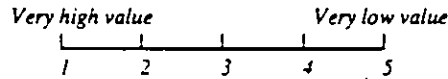
PERFORMANCE

Please answer to the following questions, considering the following scores,

1. *A great deal*
2. *Certain extent*
3. *Not at all*
4. *Not yet, but expected in the future*
5. *Does not apply to our case*

If for any of the following questions you choose 4 as the answer, please respond to the additional question formulated in the right side of the paper.

2.45   Can you identify how the scheme contributed to the following: (please indicate the value in % increase).

If benefits have not yet shown (choice 4), when do you expect the benefit to appear?

1. *Increase in turnover* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years
2. *Improve in profitability* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years
3. *Increase in the number of customers.* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years
4. *Increase in the share of market* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years
5. *Increase in the no. of employees*	1	2	3	4	5	Within	1	2	3	4	years

(Please define in which of the following company functions the increase in the number of employees occurred.)
1. *Sales*   4. *Design*
2. *Manufacturing*   5. *Other*
3. *Marketing*

2.46   How has this project improved your international competitiveness?

a) *direct export* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years
b) *Import substitution* Value in % increase	1	2	3	4	5	Within	1	2	3	4	years

2.47   How has this project contributed to expansion/entry to foreign markets?

                  1   2   3   4   5   Within 1 2 3 4 years

2.48   How has this project contributed to improve the overall performance of the firm?

                  1   2   3   4   5   Within 1 2 3 4 years

2.49   How has this project contributed to providing a greater sense of direction in the firm?

                  1   2   3   4   5   Within 1 2 3 4 years

2.50   How has this project contributed to increasing management self confidence?

                  1   2   3   4   5   Within 1 2 3 4 years

2.51   How has this project contributed to the ability to devise future business plans in the firm?

                  1   2   3   4   5   Within 1 2 3 4 years

2.52   How has this project contributed to increasing the marketing expertise in the firm?

                  1   2   3   4   5   Within 1 2 3 4 years

3. IMPLEMENTATION

Please circle the appropriate answer.

A. The report produced by the consultant for your firm provided,

   1. *A time plan for action*   2. *No time plan for action*

B. If the report did not produce a time plan of action.

   1. *We internally translated it into a time plan of action.*
   2. *We kept it in its original form.*

C. Now please refer to the recommendations offered by the consultant and for each group of the recommendations answer the formulated questions. (Please circle the appropriate answer.)

I) RECOMMENDATIONS REGARDING PRODUCT/MARKET

This item includes recommendations related to product and/or market. such as new/existing products for new/existing markets. product elimination/modification. extention of product range. product development programme and market segmentation.

1. Did the report include recommendations regarding product/market?
   1. *Yes (If yes. please answer to the following questions)*
   2. *No (If no. please move to II)*

2. Please consider the recommendations regarding product/market and select the appropriate answer. (Please read all the options before deciding your answer).
   1. *All the recommendations in this group have already been implemented. as far as possible.*
   2. *None of the recommendations have been implemented. but they will be implemented.*
   3. *Some of the recommendations have already been implemented and the rest will be implemented later.*
   4. *Some of the recommendations have already been implemented. but the rest of them will not be implemented in the future.*
   5. *None of the recommendations in this group will be implemented.*
   6. *Other (please specify)*

3. Those recommendations that were implemented.
   1. *Were implemented in the scheduled time plan.*
   2. *Were implemented later than scheduled time plan. (Please explain the cause of delay)*

   3. *No schedule was stablished.*

4. For those recommendations that were implemented. how do you classify the degree of implementation. using a scale of 1 to 5.

   Total   Very limited

   1   2   3   4   5

5. If not yet implemented. for which of the following reasons:
   1. *Lack of time. (When will they be implemented?) Please elaborate.*

   2. *Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).*

   3. *Other reason (please specify).*

6. Why the recommendations will not be implemented?
   1. *We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)*
   2. *We thought them not to be relevant at this stage.*
   3. *Other (Please specify)*

7. The recommendations that <u>were not/will not</u> be implemented. to which of the following categories do they belong?
   1. *Developing new products for new markets.*
   2. *Developing new products for existing markets.*
   3. *Selling existing products to new markets.*
   4. *Penetrating existing markets with existing products.*
   5. *Other (Please specify)*

8. The recommendations that <u>were/will</u> be implemented. to which of the following categories do they belong?
   1. *Developing new products for new markets. -*
   2. *Developing new products for existing markets.*
   3. *Selling existing products to new markets.*
   4. *Penetrating existing markets with existing products.*
   5. *Other (Please specify)*

II) RECOMMENDATIONS REGARDING PRICE STRATEGY

This item includes all recommendations related to price such as price modification and price differentiation.

1. Did the report include recommendations regarding price strategy?
   1. *Yes (If yes. please answer to the following questions)*
   2. *No (If no. please move to III)*

2. Please consider the recommendations regarding price strategy and select the appropriate answer. (Please read all the options before deciding your answer).
   1. *All the recommendations in this group have already been implemented. as far as possible.*
   2. *None of the recommendations have been implemented. but they will be implemented.*
   3. *Some of the recommendations have already been implemented and the rest will be implemented later.*
   4. *Some of the recommendations have already been implemented. but the rest of them will not be implemented in the future.*
   5. *None of the recommendations in this group will be implemented.*
   6. *Other (please specify)*

3. Those recommendations that were implemented.
   1. *Were implemented in the scheduled time plan.*
   2. *Were implemented later than scheduled time plan. (Please explain the cause of delay)*

   3. *No schedule was stablished.*

4. For those recommendations that were implemented. how do you classify the degree of implementation, using a scale of 1 to 5.

Total   *Very limited*

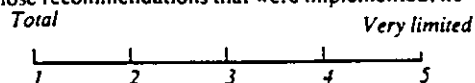|_____|_____|_____|_____|
 1   2   3   4   5

5. If not yet implemented. for which of the following reasons:

   1. Lack of time. (When will they be implemented?) Please elaborate.

   2. Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).

   3. Other reason (please specify).

6. Why the recommendations will not be implemented?

   1. We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)

   2. We thought them not to be relevant at this stage.
   3. Other (Please specify)

III) RECOMMENDATIONS REGARDING CUSTOMER/SUPPLIER

Including such recommendations as broadening customer/supplier basis. improving customer/supplier relationship and communication, and customer service.

1. Did the report include recommendations regarding customer/supplier?

   1. Yes (If yes, please answer to the following questions)
   2. No (If no, please move to IV)

2. Please consider the recommendations regarding customer/supplier and select the appropriate answer. (Please read all the options before deciding your answer).

   1. All the recommendations in this group have already been implemented. as far as possible.
   2. None of the recommendations have been implemented. but they will be implemented.
   3. Some of the recommendations have already been implemented and the rest will be implemented later.
   4. Some of the recommendations have already been implemented. but the rest of them will not be implemented in the future.
   5. None of the recommendations in this group will be implemented.
   6. Other (please specify)

3. Those recommendations that were implemented,

   1. Were implemented in the scheduled time plan.
   2. Were implemented later than scheduled time plan. (Please explain the cause of delay)

   3. No schedule was stablished.

4. For those recommendations that were implemented. how do you classify the degree of implementation. using a scale of 1 to 5.

Total   *Very limited*

|_____|_____|_____|_____|
 1   2   3   4   5

5. If not yet implemented. for which of the following reasons:

   1. Lack of time. (When will they be implemented?) Please elaborate.

   2. Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).

   3. Other reason (please specify).

6. Why the recommendations will not be implemented?

   1. We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)

   2. We thought them not to be relevant at this stage.
   3. Other (Please specify)

IV) RECOMMENDATIONS REGARDING ADVERTISING AND PROMOTION

This item includes all recommendations related to advertising and/or promotion. such as advertising budget, advertising efficiency, advertising media. advertising message. public and press relations and brochures.

1. Did the report include recommendations regarding advertising/promotion?

   1. Yes (If yes, please answer to the following questions)
   2. No (If no, please move to V)

2. Please consider the recommendations regarding advertising/promotion and select the appropriate answer. (Please read all the options before deciding your answer).

   1. All the recommendations in this group have already been implemented. as far as possible.
   2. None of the recommendations have been implemented. but they will be implemented.
   3. Some of the recommendations have already been implemented and the rest will be implemented later.
   4. Some of the recommendations have already been implemented. but the rest of them will not be implemented in the future.
   5. None of the recommendations in this group will be implemented.
   6. Other (please specify)

3. Those recommendations that were implemented.
   1. Were implemented in the scheduled time plan.
   2. Were implemented later than scheduled time plan. (Please explain the cause of delay)

   3. No schedule was stablished.

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4. For those recommendations that were implemented, how do you classify the degree of implementation, using a scale of 1 to 5.
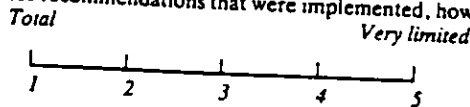
Total   Very limited

```
|----------|----------|----------|----------|
1          2          3          4          5
```

5. If not yet implemented, for which of the following reasons:

   1. Lack of time. (When will they be implemented?) Please elaborate.

   2. Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).

   3. Other reason (please specify).

6. Why the recommendations will not be implemented?

   1. We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)

   2. We thought them not to be relevant at this stage.
   3. Other (please specify)

V) RECOMMENDATIONS REGARDING SELLING AND DISTRIBUTION OBJECTIVES
This item includes all recommendations related to sales, such as, sales call programme, key account sales, sales strategy, sales generation activities, and also recommendations related to distribution objectives, such as, reaching target audience, adequate stocking of products and product flow within channel.

1. Did the report include recommendations regarding selling and distribution?
   1. Yes (If yes, please answer to the following questions)
   2. No (If no, please move to VI)

2. Please consider the recommendations regarding selling and distribution and select the appropriate answer. (Please read all the options before selecting your answer).
   1. All the recommendations in this group have already been implemented, as far as possible.
   2. None of the recommendations have been implemented, but they will be implemented.
   3. Some of the recommendations have already been implemented, but they will be implemented.
   4. Some of the recommendations have already been implemented and the rest will be implemented later.
   5. None of the recommendations in this group have been implemented, but the rest of them will not be implemented in the future.
   6. Other (please specify)

3. Those recommendations that were implemented,
   1. Were implemented in the scheduled time plan.
   2. Were implemented later than scheduled time plan. (Please explain the cause of delay)

   3. No schedule was stablished.

4. For those recommendations that were implemented, how do you classify the degree of implementation, using a scale of 1 to 5.

Total   Very limited

```
|----------|----------|----------|----------|
1          2          3          4          5
```

5. If not yet implemented, for which of the following reasons:

   1. Lack of time. (When will they be implemented?) Please elaborate.

   2. Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).

   3. Other reason (please specify).

6. Why the recommendations will not be implemented?
   1. We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)

   2. We thought them not to be relevant at this stage.
   3. Other (Please specify)

VI) RECOMMENDATIONS REGARDING COMPETITION AND EXPORT
This item includes all recommendations related to export such as, recommendations on whether to go abroad, which foreign markets to enter and how to enter them. Recommendations on the marketing programme and the marketing organization when going abroad. Also it includes recommendations on identification and monitoring of competitors.

1. Did the report include recommendations regarding competition and export?
   1. Yes (If yes, please answer to the following questions)
   2. No (If no, please move to VII)
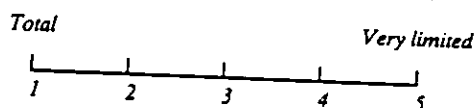
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2. Please consider the recommendations regarding competition and export and select the appropriate answer. (Please read all the options before deciding your answer).
   1. *All the recommendations in this group have already been implemented, as far as possible.*
   2. *None of the recommendations have been implemented, but they will be implemented.*
   3. *Some of the recommendations have already been implemented and the rest will be implemented later.*
   4. *Some of the recommendations have already been implemented, but the rest of them will not be implemented in the future.*
   5. *None of the recommendations in this group will be implemented.*
   6. *Other (please specify)*

3. Those recommendations that were implemented.
   1. *Were implemented in the scheduled time plan.*
   2. *Were implemented later than scheduled time plan. (Please explain the cause of delay)*

   3. *No schedule was stablished.*

4. For those recommendations that were implemented, how do you classify the degree of implementation, using a scale of 1 to 5.

   Total   Very limited

   |_____|_____|_____|_____|
   1   2   3   4   5

5. If not yet implemented, for which of the following reasons:
   1. *Lack of time. (When will they be implemented?) Please elaborate.*

   2. *Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).*

   3. *Other reason (Please specify).*

6. Why the recommendations will not be implemented?
   1. *We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)*

   2. *We thought them not to be relevant at this stage.*
   3. *Other (Please specify)*

VII) ADMINISTRATION AND/OR ORGANIZATIONAL RECOMMENDATIONS

This item includes recommendations related to improving administrative efficiency, improving recording system, setting up visit report system and also recommendations such as appointment of marketing manager, increase and/or decrease in sales personnel and appointment of sales manager.

1. Did the report include administrative and/or organizational recommendations?

   1. *Yes (If yes, please answer to the following questions)*
   2. *No (If no, please move to the next section)*

2. Please consider administrative and/or organizational recommendations and select the appropriate answer. (Please read all the options before deciding your answer).
   1. *All the recommendations in this group have already been implemented, as far as possible.*
   2. *None of the recommendations have been implemented, but they will be implemented.*
   3. *Some of the recommendations have already been implemented and the rest will be implemented later.*
   4. *Some of the recommendations have already been implemented, but the rest of them will not be implemented in the future.*
   5. *None of the recommendations in this group will be implemented.*
   6. *Other (please specify)*

3. Those recommendations that were implemented,
   1. *Were implemented in the scheduled time plan.*
   2. *Were implemented later than scheduled time plan. (Please explain the cause of delay)*

   3. *No schedule was stablished.*

4. For those recommendations that were implemented, how do you classify the degree of implementation, using a scale of 1 to 5.

   Total   Very limited

   |_____|_____|_____|_____|
   1   2   3   4   5

5. *If not yet implemented, for which of the following reasons:*

   1. *Lack of time. (When will they be implemented?) Please elaborate.*

   2. *Lack of resource. (Please elaborate on the type of resource which is lacking and if any action is being taken to overcome this problem).*

   3. *Other reason (please specify).*

6. Why the recommendations will not be implemented?

   1. We did not agree with them. (Please elaborate the reason or reasons why you did not agree.)

   2. We thought them not to be relevant at this stage.
   3. Other (Please specify)

4. CURRENT SITUATION

For the following questions please circle as appropriate.

4.1   Your current strategic marketing plan is

   1. The same plan provided by the sfm project.
   2. A new plan developed by an external source.
   3. A new plan developed by internal resources.
   4. Other (please elaborate)

4.2   What is the time scale of your current strategic marketing plan?

   1. Less than 6 months
   2. Up to 1 year
   3. Up to 2 years
   4. Up to 5 years
   5. More

4.3   With what frequency will your plan will be revised?

   1. 6 months
   2. 1 year
   3. 2 years
   4. More than 2 years (please specify)

4.4   Regarding the revisions of your strategic marketing plan over the next five years, will the revisions comprise

   1. A completely new strategic marketing plan.
   2. An updated version of the original sfm strategic marketing plan. (If so, please move to question 4.6)
   3. An unchanged version of the current plan. (If so, please move to question 4.6)

4.5   On developing a new strategic marketing plan,

   1. It will be devloped internally.
   2. It will be done by an external consultant.
   3. A combination of 1 and 2. (Please elaborate)

4.6   When preparing the strategic marketing plan, in which of the following areas, will the plan be developped? Will these developments be done internally or will you call for an external consultant. (Please tick in the appropriate box)

	INTERNAL	EXTERNAL
1. Market research		
2. Main competitors		
3. Main customers		
4. The target markets		
5. Advertisement/promotional strategy		
6. Price strategy		
7. Product/market		
8. Selling and distribution policy		
9. Others. (please specify).		

FOR THE FOLLOWING QUESTIONS, PLEASE CIRCLE THE ANSWER AND ALSO CIRCLE E IF IT IS AN ESTIMATE AND A IF IT ACTUALLY IS CALCULATED BY YOUR FIRM.

4.7   The company's market share for your main product is,

	E for Estimate	A for Accurate
1. Increasing.		
2. Decreasing.	E	A
3. About the same.		
4. We don't calculate.		
5. It is very difficult, for the sort of business we are in, to calculate.		

4.8   What is the company's market share for your main product?
   a) For UK
     1. ....% — E — A
     2. We don't keep a record.

   b) For foreign market.
     1. ....% — E — A
     2. We don't keep a record.

4.9 The company's turnover is
  1. *Increasing.*
  2. *Decreasing.*   E   A
  3. *About the same.*
  4. *We don't calculate.*

4.10 What percentage of turnover does your main product account for?
  1. .... %   E   A
  2. *We don't keep a record of it.*

4.11 What is the number of your main competitors?
  1. .... *Competitors*   E   A
  2. *A study of competition is not available.*
  3. *It is very difficult to identify our main competitors. (Why? Please elaborate)*

4.12 How many new competitors has your firm been aware of in the last 3 years? (for the main product)
  1. .... *Competitors*   E   A
  2. *It was not identified.*

4.13 How did you become aware of your new competitors?
  1. *We accidentally discovered them.*
  2. *We actively look at developments regarding our competitors.*

4.14 Do you think your main competitors' market share is
  1. *Increasing?*
  2. *Decreasing?*   E   A
  3. *About the same?*

  How do you assess your main competitor's market share?

4.15 What is the market share of your largest competitor for your main product?
  1. .... %   E   A
  2. *It was not identified.*

4.16 How many competitors have disappeared in the last 3 years?
  1. .... *Competitors*   E   A
  2. *We did not look in to it.*

4.17 Is the company's no. of customers
  1. *Increasing*   E   A
  2. *Decreasing*
  3. *About the same*

4.18 What is your total no. of customers?
  1. .... *Customers*   E   A
  2. *Don't know*

4.19 For your main product, what percentage of your current customer list were also your customers x years ago?

X	%
1. *1 year ago*	
2. *2 years ago*	
3. *3 years ago*	
4. *4 years ago*	
5. *5 years ago*	

     E   A

4.20 What percentage of the turnover of your main product is represented by the
  a) *10 largest customers* .... %
  b) *5 largest customers* .... %
  c) *The largest customer* .... %   E   A
  d) *We don't really calculate it.*

APPENDIX 7.3

Information gathered through desk research.

DESK RESEARCH

1. Project Number

2. Main Industry/Business_____

   _____

3. SIC Number _____

4. Consultant Code Number_____

5. Senior Industrialist code number_____

6. Date of Consultant Report_____

7. Date of filling the Questionnaire_____

8. Number of months since completed project.

   1. 1-2   Months
   2. 3-4   Months
   3. 5-6   Months
   4. 7-12 Months
   5. 1-2   Years
   6. More than 2 years

9. Date of final assessment visit(S/I FR).

10. Number of months since completed final visit.

   1. 1-2   Months
   2. 3-4   Months
   3. 5-6   Months
   4. 7-12 Months
   5. 1-2   Years

11. Action Required

   1. Overall Marketing Strategy and concomitant action plans.
   2. Addressing strategic objectives of the company.
   3. Identify potential development areas for the company(product/market).
   4. Expanding existing products/market.
   5. Review market development and trends.

12. Focus of strategic marketing plan

   1. Existing activities
   2. Launch of new product or service
   3. Other

13. Company ownership

   1. Family owned
   2. Wholly or mostly owned by the director/directors
   3. Partnership
   4. A member of a group
   5. Privately owned

14. Number of years trading

   1. 1 to 2 years
   2. 3 to 5 years
   3. 6 to 10 years
   4. More than 10 years
   5. Start a new business

15. Existence of sound business plan

   1. Yes
   2. None
   3. Some
   4. other

16. Existence of Marketing plan

   1. Yes
   2. None
   3. Some
   4. other

17. Implementation prospects(S/I FR)

   1. Very Good/Excellent
   2. Good
   3. Average
   4. Poor
   5. Very poor

18. Initial reaction to project report(S/I FR)

   1. Very Good/Excellent
   2. Good
   3. Average
   4. Poor
   5. Very poor

19. Overall assessment(S/I FR)

   1. Very Good/Excellent
   2. Good
   3. Average
   4. Poor
   5. Very poor

APPENDIX 7.4

FACTOR ANALYSIS

APPENDIX 7.4 FACTOR ANALYSIS

This appendix looks at the factor analysis technique and explains its essential features. It looks at different types of factor analysis, its basic concepts, the appropriateness of factor models and how its result can be used for further analysis.

7.4.1 BASIC CONCEPTS AND TERMINOLOGY

In factor analysis a set of observed variables is rearranged into a smaller set of categories called <u>factors</u>. A linear combination of the set of variables forms a factor. A factor can, therefore, be represented as:

$$F = a_1 x_1 + a_2 x_2 + \ldots + a_n x_n = \Sigma_i a_i x_i$$

Where a_i denotes the coefficients of the linear combination.

The variables are grouped in a manner so that more than one factor is obtained. Considering the following expressions:

$$F_1 = a_{11} x_1 + a_{21} x_2 + a_{51} x_5$$

$$F_2 = a_{32} x_3 + a_{42} x_4 + a_{62} x_6$$

Six observed variables are grouped in two factors. Variables x_1, x_2 and x_5 form the first factor. Although factor 1 has coefficients for other variables (x_3, x_4 and x_5), but these

are zero or close to zero. The other three variables (x_3, x_4 and x_6) form the second factor.

An important concept, in factor analysis, is "factor loading". Correlations between observed variables and factors are called factor loadings. These correlations are generally summarized in a matrix called the factor loading matrix which has $\underline{n}$ rows and $\underline{r}$ columns, with $\underline{n}$ representing the number of variables and $\underline{r}$ the number of factors.

Another concept is "eigenvalue". Squaring all the loadings of a factor and summing them up gives the eigenvalue for that factor. Each eigenvalue shows the proportion of variance explained by each factor. The number of eigenvalues is equal to the number of factors.

"Communality" shows the variance of each variable explained by the factors. It is the square of the factor loadings for the specific variable.

To clarify these ideas, an example with only 6 variables and two factors is helpful (Table 7.4.1). Factor loading for variable 1, that is, the correlation between factor 1 and variable 1, is 0.71. In this example factor one summarises (2.89/6) x 100 = 0.48% of total variance and the second factor explains 17% of total variance. The two factors together explain 65% of the total variance. The last column shows the communality (h^2). In this example the two factors

together explain $[(0.71)^2 + (0.40)^2] = 0.66$ of the variance
for the variable one.

Table 7.4.1 A factor loading matrix

| Variables | Factors | | Communaliy |
	F_1	F_2	h^2
X_1	0.71	0.40	0.66
X_2	0.70	0.46	0.70
X_3	0.70	0.37	0.63
X_4	0.69	-0.41	0.64
X_5	0.65	-0.43	0.61
X_6	0.71	-0.39	0.66
Sum of Squares (Eigenvalue)	2.89	1.01	3.90
Variance Summarised	0.48	0.17	0.65

(Source: Aaker, 1971)

7.4.2 DIFFERENT TYPES OF FACTOR ANALYSIS

Factor analysis is not a unitary concept and is applied to a
number of different procedures. Nevertheless, the
mathematical analyses of the different approaches do not
differ greatly. The basic categorisation of factor analysis
may have the following origins: (i) how to derive the matrix
of correlation; (ii) how to extract the factors; (iii) which
rotational procedure to choose in order to get the final

solution; and, finally, (iv) when to stop factoring. The multiplicity of possible procedures bestows a subjective character on the technique.

i. Matrix of Correlation. The main concern of factor analysis is the relationships among the variables. As such, the matrix of correlation, as an input, is the first aspect to be examined. The correlation matrix is obtained by calculating the correlation between the variables. The correlation can be calculated for one of the following cases:

R - type correlation matrix, which uses correlation among the variables (or attributes).

Q - type correlation matrix, which uses correlation among the entities or individuals.

These two are the most common. There are other types of calculation of the correlation matrix. For the discussion of other types of calculation of correlation matrix see Wells and Sheth (1971), Gorsuch (1974).

For the purposes of this study, 'variables' rather than 'entities' are of concern; the R-type correlation matrix will be calculated. In R-factoring, factors emerge when high correlations among group of variables are detected.

ii. Extraction of Factors. In factor analysis, factors are extracted from the initial data, based on the interrelationships among observed variables. Extraction of factors may be defined or inferred.

In defined factors, the new variables are defined as exact transformations of initial data. In this study, the extraction method, known as 'the defined factors', (also referred to as 'the principal component extraction method') was used. The principal-component analysis transforms a set of observed variables into a new group of variables that are uncorrelated to each other (orthogonal). In this approach, the first principal component (first factor), can be considered as the best linear combination of the variables; that is, this particular combination accounts for more of the variance in the data than any other combination. In this sense, the second factor is the second best linear combination of variables and is totally uncorrelated to the first factor. The second factor will also account for most of the residual variance, and the process will be continued until all the variance in the data is exhausted. In this approach, not only is each factor F_1 F_2 F_3 ..... F_n a linear combination of the variables, but also each variable can be expressed as a linear combination of the uncorrelated factors, as shown in the following expression:

$$Z_j = a_{j1} F_1 + a_{j2} F_2 + ... + a_{jn} F_n$$
Where

Z_j is the variable j in standardised form.

F_i refers to factor i, and

a_{ji} are factor loadings. $(i, j = 1, 2, \ldots, n)$

Through this process, a few factors, generally much smaller than the initial number of variables, will be obtained. These factors will explain most of the variance existing in the data, and thus, through this process, the data reduction objective is achieved. This particular approach is especially appropriate when the objective is the reduction of variables to a few underlying dimensions. In this case it was adopted because of its ability to best summarise the set of data.

In inferred factors, instead of exact mathematical transformations of the initial data, inferential assumptions are made about variables, their structure and variation. For a discussion of inferred factors see Harman (1967), Kim and Mueller (1978) and Tabachnick and Fidell (1983).

iii. The Choice of Rotational Technique. Another option in factor analysis is related to the choice of rotational procedure. Rotation is used to derive new factors from the initial results. The final result depends much on this choice. Though it is legitimate not to use any rotational method, generally the application of rotational techniques gives a more meaningful and simplified factor structure. Taking the previous example, the role of rotation in factor analysis can be better understood, by observing Table 7.4.2.

In this table the factor loadings and communalities for both rotated and unrotated factors are registered. The unrotated

Table 7.4.2   Rotated and unrotated factors

Variables	Unrotated Factors			Rotated Factors		
	F_1	F_2	h^2	F_1	F_2	h^2
X_1	0.71	0.40	0.66	0.23	0.78	0.66
X_2	0.70	0.46	0.70	0.18	0.82	0.70
X_3	0.70	0.37	0.63	0.25	0.75	0.63
X_4	0.69	-0.41	0.64	0.78	0.18	0.64
X_5	0.65	-0.43	0.61	0.77	0.14	0.61
X_6	0.71	-0.39	0.66	0.78	0.21	0.66
Sum of Squares (Eigenvalue)	2.89	1.01	3.90	1.98	1.92	3.90
Variance Summarized	0.48	0.17	0.65	0.33	0.32	0.65

(Source: Aaker, 1971)

factor one (F_1) shows high correlation with all the variables, and therefore it is difficult to see which variables it represents. Rotation of the factors solves this problem. As can be noticed in the table, factor one (F_1) now highly correlates with the last three variables and factor two (F_2) with the first three. Through rotation, a more meaningful and structured result is obtained. It is evident that the values for communalities are maintained after the rotation but they are not distributed as before. The total

variance summarised by the two factors is also maintained, but each factor now counts for a different value of summarized variance. This table shows clearly that the rotation makes internal changes in regard to distribution of variance, keeping unchanged the outer boundaries.

The two main analytic rotation methods are orthogonal rotation and oblique rotation. In the orthogonal rotation the factors are uncorrelated to each other. In the oblique solution the condition of the orthogonality of factors is relaxed and factors are correlated to each other.

In this case, varimax, a type of orthogonal rotation, was chosen. The varimax rotation was suggested by Kaiser (1958). By trying to minimise the number of variables that have high loadings on a factor, the varimax method leads to more structured and interpretable results. Thus, in a varimax rotation, variables have high and low loadings on a factor, with very few intermediate-sized loadings. The popularity of varimax rotation to obtain simple structure is explained by Mulaik (1972, p. 260):

> The normalized varimax criterion is today perhaps the most used orthogonal-rotation procedure for attaining an approximation to simple structure.

For a discussion of rotational techniques see Harman (1967), Mulaik (1972), Kim and Mueller (1978), Emory (1980) and Tabachnick and Fidell (1983).

iv. <u>Number of Factors</u>. It was argued that the main characteristic of factor analysis is its data-reduction capability. This is achieved by representing a number of variables by a few factors. The issue to address is how many factors and when to stop factoring. Determination of the right number of dimensions is, therefore, another aspect of factor analysis that should be considered. Theoretically, it is possible to obtain as many factors as the number of variables, each factor representing one variable. In this case, all the variance of each variable is totally explained by the factors. But, by doing so, the objective of reducing the data to a few meaningful dimensions or factors is not achieved. For this reason, a high number of factors will obscure the meaning of the findings and will not provide the desired summarisation and a meaningful interpretation. If few factors are involved, the amount of variance explained by the factors is very low and as such the factors cannot represent the data properly. This implies loss of important information through the process. There are 'stopping' criteria, the most common of which are statistical rules. The eigenvalue rule states that factoring should be stopped when the eigenvalue of the factors drops below one. This criterion considers as significant and meaningful factors, those accounting for at least the amount of the total variance of a single variable. Another statistical rule is based on the percentage of variance explained by each factor. The first few factors which explain a large percentage of variance are considered, granting that the next factor does not add much to the total variance. Scree-

Test is yet another method for determining the number of factors. Total variance associated with each factor is plotted. As explained by Norusis (1985, p. 131), generally

> The plot shows a distinct break between the steep slope of the large factors and the gradual trailing off of the small factors. This gradual trailing off is called the scree (Catell, 1966).... Experimental evidence indicates that the scree begins at the kth factor, where k is the true number of factors.

Other criteria are not statistically based. One criterion is when the researcher 'knows' the number of factors that properly explain his data. This situation is very uncommon in exploratory factor analysis, as it is impossible for the analyst to know the number of factors capable of explaining the data, prior to analysis. Only in confirmatory factor analysis (Long, 1983) is it possible to have a predetermined number of factors. In confirmatory factor analysis, the technique is used to test hypotheses about the number of significant factors and factor loadings. Another criterion, which is again very rare in exploratory factor analysis, is that the researcher knows in advance the amount of variance the factors can explain. In this case he will stop factoring if the factor does not achieve the desired level. Statistical criteria blended with the researcher's judgement usually lead to an appropriate number of factors.

7.4.3 APPROPRIATENESS OF FACTOR MODELS

An important consideration in factor analysis is the appropriateness of a factor model, which can be assessed in a number of ways.

The first measure of appropriateness is based on the correlations between variables (Norusis, 1985). As already discussed, one of the objectives of factor analysis is to obtain factors that help to explain the correlations in the factor matrix. The appropriateness of a factor model, therefore, is related to the relationship between variables. If variables are not related to each other, that is, if the correlations between variables are small, then it is not possible to group them into a factor (op. cit.). Inspection of the factor matrix is then a first step in examining the suitability of the factor analysis technique.

Two other measures that help to evaluate the appropriateness of factor model are: Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Barlett's test of sphericity (op. cit.).

The Kaiser-Meyer-Olkin measure of sampling adequacy is obtained by comparing the magnitude of observed correlations and partial correlation. As explained by Norusis (1985, p. 129),

Small values for KMO measure indicate that a factor analysis of the variables may not be a good idea, since correlations between pairs of variables cannot be explained by other variables.

As to the boundaries of KMO measures, they are characterised by Kaiser (1974), who suggests the following:

0.90 < KMO < 1.00   as marvellous

0.80 < KMO < 0.90   as meritorious

0.70 < KMO < 0.80   as middling

0.60 < KMO < 0.70   as mediocre

0.50 < KMO < 0.60   as miserable

       KMO < 0.50   as unacceptable.

It is possible to calculate the KMO measure for every single variable. If the KMO measure for a certain variable falls below the acceptable levels, its exclusion is recommended. The exclusion of the variable(s) with unacceptable KMO measures can improve the overall KMO measure.

Barlett's test of sphericity (Norusis, 1985),is another device for verifying the adequacy of a factor model. It is the test of identity of the correlation matrix. If the matrix is an identity (i.e. all diagonal terms are equal to unity and all off-diagonal terms are equal to zero), then the correlations between variables are zero. In this case the variables cannot be grouped together to form a factor, as the factor analysis technique groups variables that

correlate highly with each other to form a factor. Therefore, the identity correlation matrix is an indication of the inappropriateness of the factor analysis technique. When the Barlett test value is large and significance level is small, the hypothesis that population correlation matrix is an identity matrix is rejected and consequently it is appropriate to use the factor model (Norusis, 1985).

7.4.4 CONSTRUCTION OF FACTOR SCORES

Through factor analysis a number of factors capable of explaining the original variables are obtained. The factors or dimensions obtained in this way can be used as new variables in further analysis. In this case, instead of using each individual variable separately in subsequent studies, the underlying factors or dimensions will be used. It is therefore necessary to draw measures that represent the values of the factors. The values are called factor scores (Nurosis, 1985) or factor scales when traditional factor analysis is used, and component scores when principalü components extraction is used, (Kim and Mueller, 1978). For principal component analysis, exact factor scores are obtained, while for other types of analysis, estimates of factor scores are calculated. In this study, principal components were used. To obtain factor or component scores in this case, as explained by Kim and Mueller (1978, p. 72):

> The scores are obtained by combining the raw variables with weights that are proportional to their component (factor) loadings.

There are a number of procedures for estimating factor scales. For a discussion of these procedures see Kim and Mueller (1978), Tucker (1971) and Harman (1967). The SPSS-X package uses three techniques to estimate factor scores: Anderson-Rubin, regression, and Barlett (Norusis, 1985). With principal components, all three procedures lead to the same result, because the exact factor scores rather than the estimated factor scores are used.

7.4.5 SUMMARY

This chapter looked at factor analysis which is a multivariate statistical technique used to determine the relationships among a total set of interacting variables.

The chapter reviewed the basic concepts and terminology of factor analysis, its different types, when it is adequate to use factor models and what measures determine its appropriateness, and how the results obtained through this technique can be used for further analysis.

Although many uses have been attributed to this technique, its main characteristic is its data-reduction capability, where a set of observed variables is rearranged into a smaller set of categories called factors. In this study factor analysis will be used for this purpose.

APPENDIX 7.5

LOG-LINEAR MODELS

APPENDIX 7.5   LOG-LINEAR MODELS

The data used in this study are categorical. The objective of this chapter is to discuss the appropriate techniques for the analysis of categorical data. The hierarchical log-linear analysis which is capable of modelling the relationships between variables of a contingency table is discussed in detail. Logit models are also explained in detail. These models permit the verification of the direction of the relationships between variables.

7.5.1   CONTINGENCY TABLES

It is possible to classify observations taken from a population in two ways: dichotomous classification and polytomous or multiple classification. If firms are asked if they have a marketing plan or not and if the only answers are 'yes' and 'no', this is a dichotomous classification. But multiple classification arises when firms are classified based on the type of ownership of the company and four different categories of ownership are considered.

The classification of a contingency table is related to the number of variables involved in the analysis. A contingency table with only two variables is called two-dimensional. Where more than two variables are involved, a higher-level contingency table is formed. Thus a contingency stable with two dichotomous variables will produce a 2 x 2 matrix.

Each cell of the contingency table shows the observed frequency of different variables along different categories in a sample. The observed frequencies permit estimation of the probability of the variable-category combination for a population. Table 7.5.1 shows a typical contingency table for two variables A and B.

Where:

n_{ij} ..... is the observed frequency of the cell (i,j)

$n_{i0} = n_{i1} + n_{i2} + \ldots\ldots + n_{ic} = \Sigma_j \, n_{ij}$

$n_{0j} = n_{1j} + n_{2j} + \ldots\ldots + n_{mj} = \Sigma_i \, n_{ij}$

$n_{00} = \Sigma_i \, \Sigma_j \, n_{ij} = N$ is the total number of observations.

Table 7.5.1 A two dimensional contingency table.

	B_1 B_2 ....B_c	Total
A_1	n_{11} n_{12} n_{1c}	n_{10}
A_2	n_{21} n_{22} n_{2c}	n_{20}
.		
.		
.		
A_m	n_{m1} n_{m2} n_{mc}	n_{m0}
Total	n_{01} n_{02} n_{0c}	$n_{00} = N$

In this table, variable A has m categories and variable B has c categories. n_{12} is the observed frequency of the cell $(1,2)$, which is the combination associated with the first category of variable A and second category of variable B.

The variables in a contingency table are exhaustive and mutually exclusive.

Generally, the objective is to see whether or not two variables in the population are independent of one another.

The independence of variables is based on the concept of probability. Table 7.5.2 shows the theoretical probabilities for an (m x c), two-dimensional table.

Table 7.5.2 Theoretical probabilities in a two-dimensional contingency table.

	B_1 B_2 ....B_c	Total
A_1 A_2 . . . . A_m	P_{11} P_{12} P_{1c} P_{21} P_{22} P_{2c} P_{m1} P_{m2} P_{mc}	P_{10} P_{20} P_{m0}
Total	P_{01} P_{02} P_{0c}	$P_{00} = 1$

Where:

P_{ij} ..... is the probability of a random observation to belong to the cell (i,j)

$P_{i0} = \Sigma_j P_{ij}$

$P_{0j} = \Sigma_i P_{ij}$

$P_{00} = \Sigma_i \Sigma_j P_{ij} = 1$

Independence between two variables in the population is given by:

$$p_{ij} = p_{io} \times p_{oj}$$

Using the concept of theoretical probability, the expected frequency for the cell (i,j) can be calculated as:

$$N_{ij} = N \times p_{ij}$$
$$N_{ij} = N \times p_{io} \times p_{oj}$$

Where N is the total number of observations.

In practice it is not possible to know the actual probabilities for a population. Generally, only the data related to a sample drawn from the population are available. For this reason probabilities are estimated from the sample data. Statistically, it is accepted that the best estimates for p_{io} and p_{oj} are given by e_{io} and e_{oj}, where:

$$e_{io} = \frac{n_{io}}{N} \quad \text{and}$$

$$e_{oj} = \frac{n_{oj}}{N}$$

The estimates e_{io} and e_{oj} allow the calculation of the expected (or estimated) frequencies for each cell (N_{ij}):

$$N_{ij} = N \times e_{i0} \times e_{0j}$$

$$N_{ij} = N \times \frac{n_{i0} \times n_{0j}}{N \times N} = \frac{n_{i0} \times n_{0j}}{N}$$

By comparing the expected frequencies (N_{ij}) and observed frequencies (n_{ij}), it is possible to see whether or not the differences are due to the sampling variation. If the variables are independent, the deviations are such that they can be attributed to the chance factors. If the two variables are not independent, larger differences between expected and observed frequencies are detected.

There are a number of ways to see if the variables in a contingency table are independent. The chi-square test is the simplest (Everitt, 1977; Upton, 1978).

7.5.2 CHI-SQUARE TEST OF INDEPENDENCE

The chi-square test is based on the differences between estimated and actual frequencies verified in a contingency table. It was first suggested by Pearson (1904). Considering the general form of a two-dimensional contingency table (Table 7.5.1), the chi-square (X^2) statistic is given by the formula:

$$X^2 = \Sigma_{i=1} \Sigma_{j=1} \frac{(n_{ij} - N_{ij})^2}{N_{ij}} \qquad (7.5.1)$$

Where:

n_{ij} ..... is the observed frequency of the cell (i,j)

N_{ij} ...... Expected frequency for the cell (i,j)

The chi-square test is the test for independence. The null hypothesis (H_0) is that the two variables are independent.

The value of chi-square is calculated using the formula (7.5.1) above. There are tabulated values for chi-square values and different degrees of freedom (the chi-square distribution is only dependent on the degrees of freedom 'v'). If the calculated value for chi-square is greater than the tabulated value for v degrees of freedom and at α level of significance, then the result would be expected to happen by chance very infrequently (less than $100\alpha\%$ of the time). In this case, the null hypothesis (H_0) that the two variables are independent is rejected.

Considering a simple 2 way contingency table, (Table 7.5.3), the chi-square value for this table is 14.021 , with 0.0009 significance value. This indicates that the null hypothesis that states that the two variables are independent cannot be

accepted, meaning that statistically there is evidence that an association exists between the variables.

X^2 will be smaller when H_0 is true than when it is false. When H_0 is true, it means that the hypothesis that the two variables are independent *cannot be rejected*. It does not imply that the two variables are indeed independent. This is a major shortcoming of the chi-square test. As explained by Upton (1978, p. 16), when H_0 is true:

> Either they are independent or we had insufficient data to be able to detect their independence.

Table 7.5.3 Observed frequencies in a two-dimensional contingency table

| | | BUSINESS PLAN | | |
		YES	NO	ROW TOTAL
	YES	7 4.8%	3 5.2%	10 10.9%
MARKETING PLAN	SOME	23 16.3%	11 17.7%	34 37.0%
	NO	14 23.0%	34 25.0%	48 52.2%
COLUMN TOTAL		44 47.8%	48 52.2%	92 100%

PEARSON CHI-SQUARE   14.021
SIGNIFICANCE   0.0009
DEGREES OF FREEDOM   2

It is also important to notice that the significant association shown by the chi-square test does not necessarily imply any causal relationship between the variables involved, nor a fit for or estimation of any particular model. Nevertheless it indicates that further investigation is worthwhile due to the existence of strong association.

7.5.3 LOG-LINEAR MODELS - THE TECHNIQUE

The general log-linear model does not make a distinction between independent and dependent variables. Rather, it analyses relationships among categorical variables by examining the expected cell frequencies in a contingency table. Log-linear models are similar to multiple regression models, where the dependent variable is the number of cases in a cell of a contingency table and the independent variables are all the variables that are used for the classification and their interactions. In fact, all variables are regarded as "response variables" (Knoke and Burke, 1980). The objective is to see if there is a mutual relationship between the variables.

In looking at log-linear models in more detail, the discussion commences with what are known as saturated models, and extends to other models.

7.5.3.1 SATURATED MODELS

A saturated model calculates the expected frequency of a cell as a function of each related variable and the interaction between the variables. For example, considering Table 7.5.3, the expected frequency for the first cell (N_{11}) will, therefore, be a function of the effects of having a business and marketing plan, and the interaction between the two.

For the sake of simplicity in the discussion, a two-dimensional contingency table will be considered. Consider Table 7.5.4, with two variables A and B and two categories or levels for each one of them.

Table 7.5.4 A two-dimensional dichotomous contingency table.

	B1	B2	Total
A1	n_{11}	n_{12}	n_{10}
A2	n_{21}	n_{22}	n_{20}
Total	n_{01}	n_{02}	n_{00}

The expected cell frequency for cell (ij) will therefore be:

$$N_{ij} = \beta \; \tau_{i(A)} \; \tau_{j(B)} \; \tau_{ij(AB)} \qquad (7.5.2)$$

Where:

N_{ij} .... is the expected frequency for the cell ij.

β .... represents the geometric mean of the number of cases in each cell of the contingency table. The geometric mean of n numbers is obtained by taking the <u>nth</u> root of their product. In this case:

$$\beta = \sqrt[4]{n_{11} \times n_{12} \times n_{21} \times n_{22}} = (n_{11} \times n_{12} \times n_{21} \times n_{22})^{\frac{1}{4}}$$

$\tau_{i(A)}$ .... is the "effect" that variable A has on the cell frequency (there are as many $\tau_{i(A)}$ as the number of categories represented by A).

$\tau_{j(B)}$ .... is the "effect" that variable B has on the cell frequencies (there are as many $\tau_{j(B)}$ as the number of categories represented by B).

$\tau_{ij(AB)}$ .... is the effect of the interaction between the two variables (there is one such effect for each cell ij of the table).

The model presented by equation 7.5.2 for a two-dimensional contingency table is called a saturated model, as the number of parameters in the model is equal to the number of the cells of the contingency table. For this reason, a saturated model has zero degrees of freedom.

A saturated model is when the number of cases in each cell
is expressed as a function of the related variables and
their interaction. In this example, there is a saturated
model because the effects of both variables A and B (the
main effects) and their interaction (AB) are considered. In
a saturated model the expected frequencies for each cell
are, therefore, exactly the same as the observed
frequencies. Table 7.5.5 shows the observed and expected
cell frequencies for the data of Table 7.5.3.

Table 7.5.5   Observed, expected frequencies and residuals
              for a saturated model.

FACTOR	CODE	OBS. COUNT	PCT.	EXP. COUNT	PCT.	RESIDUAL
MARK. PLAN	YES					
BUS. PLAN	YES	7.50	(8.15)	7.50	(8.15)	0.00
BUS. PLAN	NO	3.50	(3.80)	3.50	(3.80)	0.00
MARK. PLAN	SOME					
BUS. PLAN	YES	7.50	(8.15)	7.50	(8.15)	0.00
BUS. PLAN	NO	3.50	(3.80)	3.50	(3.80)	0.00
MARK. PLAN	NONE					
BUS. PLAN	YES	7.50	(8.15)	7.50	(8.15)	0.00
BUS. PLAN	NO	3.50	(3.80)	3.50	(3.80)	0.00

NOTE: FOR SATURATED MODELS 0.500 HAS BEEN ADDED TO
      ALL CELLS. THIS IS DONE IN ORDER TO AVOID THE
      PRESENCE OF EMPTY CELLS.

Equation 7.5.2 can be written, in the case of a saturated
model as:

$$n_{ij}= \beta \ \tau_{i(A)} \ \tau_{j(B)} \ \tau_{ij(AB)} \qquad\qquad (7.5.3)$$

β is the starting point of the log-linear models and can be interpreted in the same way as the intercept term in a regression equation (Knoke and Burke, 1980).

The significance of the τ terms is evaluated by their deviation from the value of 1.00. As the equation is in a multiplicative form, a $\tau=1$ does not produce any change in the product, which means that particular effect is non-existent. The τ values are present, if the distribution across the categories of each variable is different, i.e. if the frequencies are equal or very close, it is expected to obtain τ values equal to, or very close to, one. This is similar to the situation verified in the traditional percentage table, where no relationship can be expected if the percentages along different categories of a variable are close or similar. τ values bigger or smaller than unity will produce greater or smaller expected frequencies.

If the two variables A and B are independent of each other, the $\tau_{ij(AB)}$ effect is equal to unity. $\tau_{ij(AB)}=1$ indicates that the interaction effect is not present. If $\tau_{ij(AB)}$ differs significantly from unity then the two variables are indeed related to each other.

The multiplicative form of the log-linear equation can be easily changed to a linear equation. This is possible by taking the natural logarithms of both sides of equation:

$$Ln\ (N_{ij}) = Ln\ [\beta\ \tau_{i(A)}\ \tau_{j(B)}\ \tau_{ij(AB)}]$$

As Ln (a x b) = Ln (a) + Ln (b), it can written:

$$Ln\ (N_{ij}) = Ln\ \beta + Ln\ \tau_{i(A)} + Ln\ \tau_{j(B)} + Ln\ \tau_{ij(AB)} \qquad (7.5.4)$$

or

$$E_{ij} = \mu + \alpha_{i(A)} + \alpha_{j(B)} + \alpha_{ij(AB)} \qquad (7.5.5)$$

Where

E_{ij} ...... is the natural logarithm of N_{ij}.

μ ...... is the natural logarithm of β.

αs ...... are the natural logarithm of τs.

– –

It was mentioned that $\tau = 1$ has no effect on the equation in its multiplicative form. This condition remains, as the logarithm of unity is zero (α = Ln 1 = 0), which has no impact in an additive function.

The similarity of the regression models and log-linear models is evident in the equation 7.5.5. In its additive form, the fréquency of a cell is expressed as a sum of a number of terms: a constant, a set of variables and their relationships. As in the regression, where a coefficient of zero for a variable indicates that the variable has no

impact, $\alpha = 0$ also indicates that the related effect is null (Knoke and Burke; 1980).

The equation could now be easily extended to higher-dimensional tables (Everitt, 1977; Knoke and Burke, 1980). For a three-dimensional table, the saturated model would look like:

$$E_{ijk} = \mu + \alpha_{i(A)} + \alpha_{j(B)} + \alpha_{k(C)} + \alpha_{ij(AB)} + \\ + \alpha_{ik(AC)} + \alpha_{jk(BC)} + \alpha_{ijk(ABC)} \qquad (7.5.6)$$

Three levels of effects are present in the model presented by this equation:

The main effect parameters for each variable, represented by $\alpha_{i(A)}$, $\alpha_{j(B)}$, and $\alpha_{k(C)}$.

The first order effect which shows the interaction for each pair of variables taken together, represented by $\alpha_{ij(AB)}$, $\alpha_{ik(AC)}$, and $\alpha_{jk(BC)}$.

The second order effect which shows the possible interaction effect among the three variables taken together, represented by $\alpha_{ijk(ABC)}$.

The α values show the deviation from the μ. That is how the cell frequency deviates from the average value for the specific combination of variables and categories.

The μ and αs are estimated from the data (Fingleton, 1984; Norusis, 1985). μ is the total average. In the logarithm function, μ is obtained as the average of the logs of the frequencies for each cell. Estimates for parameters are obtained by finding the difference between μ and the total for the category. It is estimated as:

$$\alpha_{i(A)} = Ln \ (n_{i0}) - \mu \qquad\qquad (7.5.7)$$

$Ln \ (n_{i0})$ is the mean of the $\underline{i}$th category. $\underline{\alpha}$ is positive or negative, depending on the category average being greater or smaller than the overall average.

The interpretation of the interaction effect is important. The estimate for the interaction effect for cell $(1,1)$ is obtained:

$$\alpha_{11(AB)} = Ln \ (n_{11}) - [\mu + \alpha_{1(A)} + \alpha_{1(B)} \ ]$$

As the formula suggests, the value taken by $\alpha_{11(AB)}$ shows the degree of influence of the interaction term. As explained by Norusis (1985):

> The interaction parameters indicate how much difference there is between the sums of the effects of the variables taken individually and collectively. They represent the 'boost' or 'interference' associated with particular combinations of the values.

There are restrictions imposed on the estimated α parameters. The sum of α along a category must be zero, in order to get a single estimate for each α parameter (Norusis, 1985):

$$\Sigma_i\ \alpha_{i(A)} = \Sigma_j\ \alpha_{j(B)} = \Sigma_i\ \alpha_{ij(AB)} = \Sigma_j\ \alpha_{ij(AB)} = 0 \quad (7.5.8)$$

For the data of Table 7.5.3 the following coefficients are obtained:

$\alpha_{1(MKG.PLAN)} = -0.88$

$\alpha_{2(MKG.PLAN)} = 0.29$

$\alpha_{3(MKG.PLAN)} = 0.59$

$\alpha_{1(BUSN.PLAN)} = 0.10$

$\alpha_{2(BUSN.PLAN)} = -0.10$

$\alpha_{11(MKG.PLAN\ BUSN.PLAN)} = 0.28$

$\alpha_{21(MKG.PLAN\ BUSN.PLAN)} = 0.26$

$\alpha_{31(MKG.PLAN\ BUSN.PLAN)} = -0.54$

$\alpha_{12(MKG.PLAN\ BUSN.PLAN)} = -0.28$

$\alpha_{22(MKG.PLAN\ BUSN.PLAN)} = -0.26$

$\alpha_{32(MKG.PLAN\ BUSN.PLAN)} = 0.54$

A saturated model does not provide a parsimonious explanation of the relationships that exist between variables (Knoke and Burke, 1980). Nevertheless, it is a

good starting point as it suggests the exclusion of the parameters with small values.

7.5.3.2 UNSATURATED MODELS

As discussed in the previous section, in a saturated model the number of cases in each cell of a contingency table is expressed as a function of each variable, their interaction and the overall mean. By assuming that some of the effects are not present, other models can be constructed. Models obtained in this way are called unsaturated models. While the saturated model considers the effects of all variables and their interaction, an unsaturated model does not include all the effects (Knoke and Burke, 1980; Norusis, 1985). If in the model (7.5.5) previously shown, the term $\alpha_{ij(AB)}$ is excluded, then there is an unsaturated model. The exclusion indicates that the two variables A and B are independent. In this case the log-linear model will be:

$$Ln \ (N_{ij}) = \mu + \alpha_{i(A)} + \alpha_{j(B)}$$

As the model is unsaturated, observed frequencies (n_{ij}) can not be substituted for the estimated frequencies (N_{ij}), as they are no longer equal.

While in a saturated model it is possible to calculate the α values using formulas 7.5.7 and 7.5.8, in an unsaturated model, αs are estimated, through an iterative process.

For the data of the Table 7.5.3, an unsaturated model (i.e. a model without the interaction term) produces the following results for the observed and expected frequencies (Table 7.5.6).

Table 7.5.6   Observed, expected frequencies and residuals for an unsaturated model.

FACTOR	CODE	OBS. COUNT	PCT.	EXP. COUNT	PCT.	RESIDUAL
MARK. PLAN	YES					
BUSN. PLAN	YES	7.00	(7.61)	4.78	(5.20)	2.22
BUSN. PLAN	NO	3.00	(3.26)	5.22	(5.67)	-2.22
MARK. PLAN	SOME					
BUSN. PLAN	YES	23.00	(25.00)	16.26	(17.67)	6.74
BUSN. PLAN	NO	11.00	(11.96)	17.74	(19.28)	-6.74
MARK. PLAN	NONE					
BUSN. PLAN	YES	14.00	(15.22)	22.96	(24.95)	-8.96
BUSN. PLAN	NO	34.00	(36.96)	25.04	(27.22)	8.96

7.5.3.3   HIERARCHICAL MODELS

A saturated model includes all possible effects. By deleting one or a few terms of a saturated model alternative models are produced. For example, in the case of two variables, there would be four effects for each cell. If the first order interaction is removed and the model fits, it means that there is no interaction between the two variables. This indicates the existence of an independence model. Based on the information of a saturated model, one term or a few can

be withdrawn. Hierarchical models use a particular method of deleting effects (Knoke and Burke 1980; Norusis, 1985).

A log-linear model is called hierarchical whenever the inclusion of a higher-order effect in the model is followed by the inclusion of lower order effects associated with the variables represented in the higher effect. Upton (1978, p.57) defines the hierarchical log-linear models in the following terms:

> A hierarchical model obeys the following rule, which is framed in the general multidimensional setting. Suppose that the parameter involving a set of variables S is included in the model; then the model must include all the parameters involving any subset of S.

Thus, if the second order interaction α_{ABC} is included, all first order and main effect interactions relating to these variables, that is, interactions α_{AB}, α_{AC}, α_{BC}, α_A, α_B, and α_C should be included as well (Fingleton, 1984). To explain a hierarchical model, it is sufficient to present the highest-order term, which is called the "generating class" of the model (Norusis, 1985).

7.5.4 LOGIT MODELS

Although it is useful to verify the association between the variables, in most of the cases, interest lies in finding

the relationship of one variable with one, or a number, of other variables, i.e. to see how the value of one variable is affected by other variables. The logit model helps to achieve this objective (Norusis, 1985; Knoke and Burke 1980 and Upton, 1978). In log-linear models, the dependent variable is the expected cell frequency, which is a function of all the variables in the model. The logit model examines the relationships between the dependent and independent variables. It considers one variable as a function of a number of independent variables. To do so, the expected "odds" are analysed.

7.5.4.1 LOGIT MODELS - THE TECHNIQUE

As discussed, the traditional method of identifying association among two categorical variables is based on the calculation of percentages within each cell of a contingency table. These percentages are obtained by dividing the number of cases in each cell by the category total. By analysing the distribution of the percentages, using the common chi-square test for independence, a conclusion about the likely relationship between the variables is obtained.

Logit, is based on a different concept. It is based on the concept of 'odds'. As explained by Knoke and Burke (1980, p. 9):

An odd is the ratio between the frequency of being in one category and the frequency of not being in that

category. Its interpretation is the chance that an individual selected at random will be observed to fall into the category of interest rather than into another category.

Two other related concepts are the concepts of marginal and conditional odds. 'Marginal odds' are calculated by dividing the frequency of belonging to a category by the frequency of not belonging to that category. 'Conditional odds' are calculated in the same way, but with the added constraint of satisfying a condition. For example, considering Table 7.5.3, a conditional odd for cell (1,1) would be the ratio of the firms that have a marketing plan to not having a marketing plan, provided that they already possess a business plan.

It is possible to compare directly two conditional odds by obtaining their ratio. Taking a two-dimensional contingency table (Table 7.5.4):

$$\text{Observed odds ratio (AB)} = \frac{(n_{11}/n_{21})}{(n_{12}/n_{22})}$$

$$= \frac{(n_{11})\,(n_{22})}{(n_{21})\,(n_{12})}$$

When the percentages of a contingency table are very similar, in the traditional way of analysis it would be expected that the variables are not related to one another. If the basis of analysis is an odd-table, the association between variables is non-existent when the similarity exists between the conditional odds; i.e., if all of them are equal or have almost the same value.

First, the case of a two-dimensional table with dichotomous variables will be considered. Variable B with two categories will be the dependent variable and variable A the independent variable.

A "logit" is obtained as the log of the ratio of the two frequencies:

$$Ln \ (n_{11} \ / \ n_{12} \ ) = Ln \ (n_{11}) \ - \ Ln \ (n_{12})$$

A logit model can be obtained from the log-linear model. Going back to the equation 7.5.5 in the log-linear model:

$$Ln \ (n_{ij}) = \mu + \alpha_{i(A)} + \alpha_{j(B)} + \alpha_{ij(AB)}$$

For the cell (1,1), will be:

$$Ln \ (n_{11}) = \mu + \alpha_{1(A)} + \alpha_{1(B)} + \alpha_{11(AB)}$$

For the cell (1,2), will be:

$$\text{Ln } (n_{12}) = \mu + \alpha_{1(A)} + \alpha_{2(B)} + \alpha_{12(AB)}$$

$$\text{Ln } (n_{11} / n_{12}) = \mu + \alpha_{1(A)} + \alpha_{1(B)} + \alpha_{11(AB)}$$
$$- \mu - \alpha_{1(A)} - \alpha_{2(B)} - \alpha_{12(AB)}$$

$$\text{Ln } (n_{11} / n_{12}) = \alpha_{1(B)} + \alpha_{11(AB)} - \alpha_{2(B)} - \alpha_{12(AB)}$$

As B is a dichotomous variable, and as $\Sigma \alpha_{j(B)} = 0$ and $\Sigma \alpha_{ij(AB)} = 0$, it is true to say:

$$\alpha_{2(B)} = - \alpha_{1(B)}$$

$$\alpha_{12(AB)} = - \alpha_{11(AB)}$$

$$\text{Ln } (n_{11} / n_{12}) = \alpha_{1(B)} + \alpha_{11(AB)} + \alpha_{1(B)} + \alpha_{11(AB)}$$

$$\text{Ln } (n_{11} / n_{12}) = 2 [\alpha_{1(B)} + \alpha_{11(AB)}]$$

The same parameters used in the log-linear model are used to explain the logit model. The logit model derived in this form is a saturated model, and for this reason all the residuals are zero. As the percentages are based on the category counts of the independent variable (as opposed to total counts in log-linear models), the percentages for each category of independent variable must summate to 100, as illustrated by Table 7.5.7, where the marketing plan has been reduced to a dichotomous one.

Table 7.5.7   Observed, expected frequencies and residuals
              for a saturated logit model.

FACTOR	CODE	OBS. COUNT	PCT.	EXP. COUNT	PCT.	RESIDUAL
MARK. PLAN	SOME					
BUS. PLAN	YES	30.50	(67.78)	30.50	(67.78)	.000
BUS. PLAN	NO	14.50	(29.59)	14.50	(29.59)	.000
MARK. PLAN	NONE					
BUS. PLAN	YES	14.50	(32.22)	14.50	(32.22)	.000
BUS. PLAN	NO	34.50	(70.41)	34.50	(70.41)	.000

As in regression it is possible to obtain statistics that explain the source of total dispersion in the dependent variable. The statistics are obtained when one of the variables is considered to be the dependent variable. The two statistics are: Shanon's entropy measure and Gini's concentration measure (Norusis, 1985). They measure what percentage of the total dispersion in the dependent variable can be explained by the model and what proportion can be attributed to the residuals and are calculated (Norusis, 1985):

Entropy measure: $H = - \Sigma \, p_j \log p_j$

Concentration measure: $C = 1 - \Sigma \, p_j^2$

Although these measures are similar to R^2 in the regression model, they cannot be interpreted in quite the same way.

Variables may be strongly related to each other and yet produce small values for the measures (Haberman, 1982).

The presence of cells with zero entries may be a source of problems in a log-linear model. The reason is that it is based on the concept of odds, which is obtained as a ratio of the cell entries. A cell with zero frequency will place a zero in the denominator and, therefore, the logits are undefined (Logarithm of zero is minus ∞) (Knoke and Burke, 1980).

There are two major sources for the presence of such zeros: "structural zeros" and "sampling zeros". Structural zeros or "apriori zeros" occur when it is not possible to observe values for certain combinations. Sampling zeros occur when the combination although possible was not observed. This generally happens when the sample size is small and the contingency table has many cells.

Log-linear models can handle this situation. If there are structural zeros, frequencies for the cells with such zeros are not estimated. If there are sampling zeros, a number of solutions have been suggested. Goodman (1970) suggests the addition of 0.5 to the empty cells. Fienberg (1977) suggests that an arbitrary definition of the ratio of zero-to-zero is zero. A third solution which in most cases is unrealistic, is to add enough cases to a sample to ensure that all cells have observed frequencies. (Knoke and Burke, 1980; Everitt, 1977).

7.5.4.2 UNSATURATED LOGIT MODEL

We have already seen that by deleting terms from a saturated log-linear model, it is possible to obtain unsaturated log-linear models. The same possibility exists in the case of the logit models. It is possible to derive unsaturated logit models by deleting one or a number of terms. For example, if it is desired to see that variable A is independent from variable B, it is enough to delete the interaction term. In this case, if the model fits, it indicates that the two variables A and B are independent. However, where the model does not fit the data well, the independence model is inadequate (Norusis, 1985).

7.5.4.3 MORE COMPLICATED LOGIT MODELS

So far, a dichotomous dependent variable and its relationship with one independent variable has been considered. It is possible to consider logit models for more than two variables and also for more than two categories of the dependent variable. The statistical package SPSSX allows for two possibilities:

i) The dependent variable is dichotomous but there is more than one independent variable.

ii) Both dependent and independent variables are polytomous.

i) A DICHOTOMOUS DEPENDENT VARIABLE AND MORE
   THAN TWO INDEPENDENT VARIABLES.

In this case, the dependent variable can only be dichotomous, but the independent variables can be polytomous and it is possible to include more than two independent variables. Consider the following example where the dependent variable (A) is 'the existence of formalised marketing planning in the firm'. Variable A for the purpose of this example has been reduced to a dichotomous variable: 'firms with some degree of formalised marketing planning' and 'firms without any marketing planning'. The independent variables are 'Existence of Business Plan' (B) with two categories and 'Marketing Responsibility' (C) with three categories. The categories of B are as before (with and without a business plan) and the categories of C are: i) Marketing Director or Sales Person; ii) Managing Director or other Director; and iii) No one. By fitting a logit model which considers the effect of variable A, interaction of A and B; and interaction of A and C, the results presented in Table 7.5.8 are obtained.

The A parameter estimate is negative, indicating that overall the proportion of firms that have some marketing planning is less than the proportion of firms with no marketing planning.

Table 7.5.8 · Estimate for the parameters

VARIABLE A			
PARAMETER	COEFF.	STD.ERR.	Z-VALUE
1	-.11	.127	-.87
VAR.A BY VAR.B			
PARAMETER			
2	.39	.119	3.25
VAR.A BY VAR.C			
PARAMETER			
3	.45	.167	2.71
4	-.06	.166	-.38

The coefficient related to the interaction A x B is positive, which means that the two variables A and B are positively related, i.e. there is a positive relationship between marketing planning and business planning.

— —

As there are three categories for variable $\overline{C}$, two parameters for the A x C interaction are calculated. The parameter 3 is positive, showing that higher values of variable A (marketing planning) are associated with higher values of marketing responsibility: when there is an individual responsible for marketing, there is marketing planning in the firm.

It should be noted that due to the general constraint represented by formula 7.5.8, all other parameters can be calculated:

Parameters of variable A:

α_1 (marketing plan) = −0.11

α_2 (marketing plan) = 0.11

Parameters of interaction of variables A and B:

$\alpha_{A1\ B1}$ = 0.39

$\alpha_{A1\ B2}$ = −0.39

Parameters of interaction of variables A and C:

$\alpha_{A1\ C1}$ = 0.45

$\alpha_{A1\ C2}$ = − 0.06

$\alpha_{A1\ C3}$ = − 0.39

The last relationship ($\alpha_{A1\ C3}$ = − 0.39) shows that the lack of an individual responsible for marketing in the firm negatively affects its marketing planning practice.

— —

In this case, two categories of variable A were considered. Often variables have more than two categories, but it is common to amalgamate categories in order to obtain simple interpretations or to avoid sampling zeros. There is no definitive guidance on how to collapse polytomous variables, which is generally achieved using the judgement of the analyst. Techniques have been developed to test the adequacy of collapsing adjacent variables (Duncan, 1975).

ii) POLYTOMOUS DEPENDENT AND INDEPENDENT VARIABLES
   (MODELS FOR ORDINAL DATA)

It is common practice in many social studies to assign numerical values to empirical experiences. By allocating numerical values which are mathematical entities to the empirical observations it is assumed that basic relationships which exist in mathematics can explain relationships among empirical phenomena (Green and Carmone, 1972). The categorical variables used in the log-linear models are of this nature. The problem associated with the practice of assigning values is that it uses an ordinal rather than an interval scale. In an interval or metric scale it is assumed that the difference between the scale numbers shows the 'actual' differences. In the ordinal scale there is 'more', 'less' or 'the same' amount of a certain property. For example, when respondents are asked to answer on a scale of 1 (strongly agree) to 5 (strongly disagree), a move from agree (2) to strongly agree (1) means there is an improvement, but it does not mean that the improvement has been doubled.

Log-linear models are capable of handling ordinal data, and in fact the ordering of categories as suggested by Agresti (1984) may lead to models that fit the data better. In this case there is no need for the dependent variable to be dichotomous. SPSSX provides three different models to analyze this kind of data (Norusis 1985, p. 342):

> Linear by linear association model, which uses the ordering of both variables... row effect model, which uses only the ordering of column variable... the column effects model, which uses the ordering of the row variable.

The variables used in this study are mostly ordinal, so that it is necessary to use a model that is appropriate for such variables. The linear-by-linear association model for ordinal data (Norusis, 1985) or the linear-by-linear interaction model (Haberman, 1979) is one that uses the ordering of both variables. In this study, we shall be using a linear-by-linear association, as all the variables are ordinal. As Norusis (1985, p.345) indicates,

> The linear-by-linear model is the most parsimonious, since, when compared to the independence model, it estimates only one additional parameter.

The general equation for the linear-by-linear association for two variables is (Norusis, 1985):

$$\text{Ln } (N_{ij}) = \mu + \alpha_{i(A)} + \alpha_{j(B)} + \Omega \ (U_i - U) \ (V_j - V) \qquad (7.5.9)$$

Where:

μ .... Overall mean

$\alpha_{i(A)}$ and $\alpha_{j(B)}$ are the main effect parameters.

Ω .... Is a coefficient similar to the regression coefficient. For a particular cell it is multiplied by the scores assigned to that cell for variables A and B.

The mathematical expression of this model is similar to the general formula for the loglinear models (compare equation 7.5.9 with equation 7.5.5). The only difference lies in the latter term, which in the case of the linear-by-linear association model is obtained as a multiple of a product of a linear score U_i for variable A and V_j for variable B. For the application of this procedure see Haberman, (1974); Nelder and Wedderburn, (1972).

The procedure produces the Ω coefficient as well as its standard error. Values of Ω close to zero indicate that the two variables are independent. Z-value for Ω is obtained by dividing the Ω coefficient to its standard error. Large and positive values of Z (where Ω is large compared to its standard error), indicate that there is a positive association between the two variables: an increase or decrease in the value of one variable will lead to an increase or a decrease of the other variable. The positive values of Ω also show that the concentration of expected frequencies in the cells that score highly for both variables is higher, as compared to the case of independence between the two variables (Table 7.5.9).

Table 7.5.9   Concentration of expected frequencies, when Ω is positive.

	HIGH	LOW
HIGH	MORE HERE	
LOW		MORE HERE

If the Ω coefficient is negative, more cases are expected to fall in the cells that score highly for one variable and low for the other. The negative and large values for the standardised Ω show the negative association between the two variables.

Considering two variables A (with 4 categories) and B (with 3 categories) and fitting a linear-by-linear association model, parameters in the Table 7.5.10 are obtained. Variable A has four categories, therefore three parameters for this variable are estimated. Due to the general constraint indicated in the the formula 7.5.8 that the sum of α along a category must be zero, the fourth parameter can be easily obtained. Variable B has three categories, thus two parameters are estimated. The Ω value is positive and the Z-value is significant, which indicates a positive relationship between the two variables A and B.

TABLE 7.5.10   Estimate for the parameters

VARIABLE A			
PARAMETER	COEFF.	STD.ERR.	Z-VALUE
1	-.14	.530	-.26
2	.49	.284	1.72
3	.48	.206	2.34
VAR.B			
PARAMETER			
4	1.71	.556	3.08
5	.22	.148	1.46
Ω			
PARAMETER			
6	.49	.175	2.81

7.5.5   GOODNESS OF FIT

As explained in Sections 7.5.3.2 and 7.5.4.2, by deleting terms from a saturated model, a number of unsaturated models are obtained. It is possible to apply a number of log-linear models to the same set of data. The multiplicity of possibilities poses the question of determining whether or not a hypothesised model fits the data adequately. Therefore once a model is obtained, it is necessary to see if the model fits the data well: if it explains the data appropriately. As explained by Norusis (1985, p.329):

> The ultimate test of any theory is how well it withstand the rigours of scientific testing.

The 'goodness of fit' of a model is judged by how approximate the expected frequencies obtained through the model are to the observed frequencies. Everitt, 1977 explains this issue in the following terms (p. 86):

> Assessing the adequacy of a suggested model for the data follows exactly the same lines as that used in hypothesis testing, namely obtaining estimates of the theoretical frequencies to be expected assuming the model is correct,...., and comparing these with the observed values by means of either the likelihood ratio or Pearson chi-square statistic.

Therefore to measure the fitness of a model, expected frequencies for each cell are estimated and are compared with the observed frequencies. Two measures are used: the Pearson chi-square statistic (X^2) and the likelihood ratio statistic (L^2) (Knoke and Burke 1980; Everitt, 1977).

The Pearson chi-square statistic is given by:

$$X^2 = \Sigma_i \, \Sigma_j \frac{(\text{Observed Frequencies} - \text{Estimated Frequencies})^2}{\text{Estimated Frequencies}}$$

$$X^2 = \Sigma_i \, \Sigma_j \frac{(n_{ij} - N_{ij})^2}{N_{ij}}$$

The likelihood-ratio (L^2) statistic is calculated in the following way:

$$L^2 = 2 \sum_i \sum_j n_{ij} \, Ln \, \frac{n_{ij}}{N_{ij}}$$

If the sample size is large, the two statistics lead to the same result. However the L^2 statistic is generally recommended (Knoke and Burke 1980), as it is possible to partition it and interpret the partitioned results. This enables the testing of partial relationships.

The interpretation of L^2 in the log-linear analysis is: smaller values of L^2, for the same number of degrees of freedom, correspond to a good model and large values of L^2 indicate a poor model. The rationale behind this interpretation is that large values are obtained only when the expected and observed frequencies are very different. This interpretation contrasts with the chi-square test of independence where larger values for X^2 were preferred. The reason for this divergence of criterion is that in a chi-square test the interest lies in rejecting the null hypothesis (H_0), where H_0 indicates independence between variables. In the log-linear case the, the aim is acceptance of the hypothesis and therefore small values signal better fits (Knoke and Burke 1980). Table (7.5.11) shows the 'goodness-of-fit' for the previous model.

Table 7.5.11   Goodness-of-fit test statistic

GOODNESS-OF-FIT TEST STATISTICS

LIKELIHOOD RATIO CHI SQUARE=6.647   DF = 5   P = 0.248

PEARSON CHI SQUARE   = 5.951   DF = 5   P = 0.311

The fitness of a model is also closely related to the type of error in the test of hypothesis. Conventionally, in order to make a generalisation of the obtained result regarding a population, the tendency is to accept a hypothesis with high probabilities (in 95% of the cases, i.e. $p = 0.05$). In a test of hypothesis, the researcher is confronted with two types of error:

Type I error: rejecting H_0 when it is true, with its probability being α, the error level of the test.

Type II error: accepting H_0 when it is false, with its probability being β, where $\beta = 1 - \alpha$.

The 'best' fitting model implies having very small values for α, which implies higher values for β, and thus the classic problem of improving one type of error at the expense of another arises. By keeping the α level down, effects that can be important will be deleted. By increasing the α level, (and thus reducing β), effects that are not present in the population and are only due to the sampling variation are included. Statistically, the solution for the

reduction of both errors is to increase the size of the sample, which in most cases is not possible. The established criterion is to accept models where the probability of a type I error is between 0.1 and 0.35 (Knoke and Burke, 1980). Bishop et al (1975) argue that higher values for α can cause the problem of 'too good a fit', which arises when a model with too many parameters is chosen.

As has been mentioned (Section 7.5.3.2), in an unsaturated model the expected frequencies differ from the observed frequencies. The difference, called 'residuals', can also be used as another method for evaluating the fitness of a model. Residuals are standardised in the following way (Norusis, 1985):

$$\text{Standardised residuals} = \frac{n_{ij} - N_{ij}}{\sqrt{N_{ij}}}$$

The standardized residuals have a normal distribution with zero-mean and standard deviation of one. The model is adequate if the differences between observed and expected frequencies are small. In this case the standardised residuals will be less than 1.96 in absolute value. The presence of many cells with large standardised residuals suggests that the model is not a good fit. Based on this information, it is possible to test other models which may prove more adequate. Table 7.5.12 shows typical observed and

expected frequency residuals (based on the results of the Table 7.5.6).

Table 7.5.12   Observed, expected frequencies, residuals and standardised residuals for an unsaturated model.

FACTOR	CODE	OBS. COUNT	EXP. COUNT	RESIDUAL	STANDARD RESIDUAL
MARK. PLAN	YES				
BUS. PLAN	YES	7.00	4.78	2.22	1.01
BUS. PLAN	NO	3.00	5.22	-2.22	-.97
MARK. PLAN	SOME				
BUS. PLAN	YES	23.00	16.26	6.74	1.67
BUS. PLAN	NO	11.00	17.74	-6.74	-1.6
MARK. PLAN	NONE				
BUS. PLAN	YES	14.00	22.96	-8.96	-1.87
BUS. PLAN	NO	34.00	25.04	8.96	1.79

One of the outputs of the log-linear model in the SPSSX package is the estimates of the α parameters and their standard deviations. It also produces the Z-values, which are calculated by dividing each parameter estimate by the corresponding standard deviation. For relatively large samples, the estimated α parameters have a normal distribution. Z values, which are α values in the standardised form (having mean of zero and standard deviation of one) can be used to test the hypothesis about the significance of each parameter. The null hypothesis (H_0) indicates that α is zero, which is equivalent to saying that the particular effect is absent. Statistically, for 0.05

level of significance, Z values greater than 1.96 in absolute value are considered to be significant (Norusis, 1985). Log-linear models also produce the lower and upper limits of the confidence intervals. The confidence interval shows the area of acceptance. Based on the statistical rules, if the confidence interval includes zero, the null hypothesis that the population value is zero can be rejected. Table 7.5.8 shows typical estimates of parameters.

7.5.6 FURTHER USE OF LIKELIHOOD CHI-SQUARE STATISTICS

When a term is added to a model, the likelihood-ratio chi-square of the model decreases. The decrease in the amount of the likelihood-ratio chi-square indicates the contribution of that term to the model. In loglinear models, the lower the chi-square values, the better the model fits. That is why the reduction in the amount of chi-square shows how appropriate it is to include that term.

The degrees of freedom (d.f.) are calculated using the number of categories of the variables. If variable 1 has i categories and variable 2 has j categories, the number of available d.f., including these two variables will be [(i) x (j)] - 1, that is, number of cells in the table, minus one.

As saturated models fit the data perfectly, they have zero d.f.. As terms are removed from the model (i.e. the number of parameters to be estimated from data is reduced), the d.f. increases.

Consider a hierarchical loglinear model for four variables A, B, C, and D, with 3, 3, 2 and 4 categories respectively. Table 7.5.13 shows the likelihood ratio and the degrees of freedom for this model.

Table 7.5.13   Tests that k-way effect and higher order effects are zero.

K	DF	L.R.CHISQ	PROB.	PEAR.CHISQ	PROB.
4	12	5.898	.9211	4.486	.9730
3	40	26.235	.9040	28.785	.9063
2	63	91.766	.0105	95.838	.0048
1	71	162.064	.0000	185.043	.0000

In a saturated model, the chi-square statistic and the degrees of freedom are zero. Considering a four-variable saturated model, if the fourth order effect is deleted, the number of degrees of freedom increases to 12 and the amount of chi-square statistic increases from zero to 5.898. The increase in the chi-square value is due to the elimination of the fourth order effect. This value is used to test the hypothesis of the significance of the fourth order interaction. In this case the H_0 indicates:

H_0: The fourth order interaction is non-existent (the fourth order term is zero).

If the significance level (p), for the likelihood ratio chi-square value with the determined degrees of freedom is small, the hypothesis is rejected, otherwise it is accepted. In this case p = 0.9211, so the hypothesis that the fourth order term is zero is not rejected.

In the next stage (design), the likelihood ratio chi-square value increases to 26.235, and the degrees of freedom to 40. The hypothesis is:

H_0: All the third-order or higher interactions are non-existent (all the third and fourth order terms are zero).

In this case p = 0.954 and as such the null hypothesis can not be rejected. The hypothesis that the third-order effect is zero is therefore accepted.

— —

As the higher level interactions are removed, the p values are decreased. The value represented in the table shows that for the fourth and third order interactions the probability is high (higher than 0.05) and for the second and first order interactions the probability is low. Thus, a model with first and second order interactions is appropriate to represent the data.

In generic terms we can express: $X^2 = X^2{}_{k-1} - X^2{}_k$

where:

X^2_k ..... is the likelihood ratio chi-square value, when kth order effect is present.

X^2_{k-1} ... is the likelihood ratio chi-square value, when kth order effect is removed.

For each hierarchical log-linear model, two types of hypothesis are tested : a test that all the kth and higher order effects are zero (Table 7.5.13); and a test that kth-order effects are zero (Table 7.5.14). As can be seen, the two tables can be obtained one from another.

The difference, $L^2=(26.235 - 5.898)= 20.337$ is attributed to the third order effect with 28 degrees of freedom (Table 7.5.14). The significance level is 0.6657. The high value of the significance level indicates that the null hypothesis (that the third order effects are zero) cannot be rejected.

Table 7.5.14 Tests that k-way effects are zero.

K	DF	L.R.CHISQ	PROB.	PEAR.CHISQ	PROB.
1	8	70.298	.0000	89.205	.0000
2	23	65.531	.0000	67.053	.0000
3	28	20.337	.8519	24.299	.6657
4	12	5.898	.9211	4.486	.9730

In the above mentioned case, when the "tests that k-way effects are zero" are realised, the result shows that the

third order effect, when all the three way interactions are taken together, is zero. In this case, nothing is known about each individual term. It is possible however to evaluate the effects of the individual terms. This enables a decision to be made on whether one or other effect should be deleted or remain in the model (Knoke and Burke 1980, Norusis, 1985). Table 7.5.15 shows an extract of the table of tests of partial associations for the previous example. In this table partial associations for a number of three- and two-way interactions are shown. Based on the information provided by this table, it is possible to decide which three-way interactions should be deleted.

Table 7.5.15 An extract of a table of partial associations.

EFFECT NAME	DF	PARTIAL CHISQ	PROB.
A*B*C	4	5.302	.2577
A*B*D	12	10.236	.5952
A*C*D	6	2.270	.8933
B*C*D	6	6.491	.3705
A*B	4	11.838	.0186
A*C	2	13.550	.0011
B*C	2	.332	.8470
A*D	6	12.326	.0551

7.5.7   CHOOSING A MODEL

There are two generic guide-lines for the selection of a model: it must fit the data and it must be capable of being interpreted. As indicated by Norusis (1985, p.332):

A good model should fit the data well and be as simple as possible.

Generally, the best starting point for fitting a log-linear model is a saturated model. By analysing the standardised values for the parameter estimates, it is possible to decide which term or terms need to be excluded from the model. Another approach is to systematically test the contribution of each term. The two general strategies that have been suggested for the selection of a model that best fits the data are explained by (Knoke and Burke, 1980, p. 37, 38) in the following terms:

One approach starts with the saturated model and begins successively deleting the higher order interaction terms until the fit of the model to the data becomes unacceptable by whatever probability standards the analyst has adopted. The second approach starts with the simplest model ... and successively adds increasingly complex interaction terms until an acceptable fit is obtained which cannot be significantly improved by adding further terms.

These strategies are referred to by Norusis (1985),as "backward elimination" and "forward selection". As defined by Norusis (1985, p.312):

Forward selection adds effects to a model, while backward elimination starts with all effects in a

model and then removes those that do not satisfy the criterion for remaining in the model.

While some believe that the forward selection leads to better models (Benedetti and Brown, 1978), others prefer backward elimination (Knoke and Burke 1980). Either strategy is acceptable and the choice is much related to the preference of the analyst. SPSSX uses backward elimination.

7.5.8 CAUSALITY OF LOG-LINEAR MODELS

Knoke and Burke (1980, p.42) refer to the efforts of Goodman (1973a, 1973b, 1979) in drawing a parallel between causal models in log-linear technique and the path analysis. They believe that his efforts lead to a partial success and comment:

> The analogy breaks down however in (1) the inability of the log-linear version to assign single values to causal paths when polytomous variables are involved and (2) the calculation of the magnitude of effects along indirect paths between variables. Still, the causal analogy is sufficiently appealing to allow a tempered use of the method whenever a well-reasoned hypothesis can take advantage of uni-directional causal sequence among the variables.

7.5.9 SUMMARY

The data used in this study are categorical data, the treatment of which requires differing statistical techniques. The starting point of the analysis of qualitative data is the analysis of 'contingency tables' (Everitt, 1977). The concept of contingency table was discussed. There are a number of ways to see if the variables in a contingency table are independent or not. First, the chi-square test of independence, which is the simplest technique for the verification of the relationship between variables of a contingency table was considered. Later, hierarchical log-linear analysis which is a more complex technique for modelling the relationship between variables of a contingency table, was reviewed. Finally the logit models and the linear-by-linear association model for ordinal data were also discussed. These models not only identify the relationship between variables, but also permit the identification of the nature of relationship between them. The results obtained through the application of these techniques to the data of this study will be presented in Chapters Ten and Eleven.

APPENDIX 9.1

Procedure for using factor analysis in further analysis

FACTOR SCORE COEFFICIENT MATRIX:

	FACTOR 1	FACTOR 2	FACTOR 3
IK2_1	.04799	-.25986	.34128
IK2_2	-.11341	.00822	.31892
IK2_3	-.16849	-.06412	.42132
IK2_4	.11351	-.10178	.15271
IK2_5	.30719	-.06114	-.11517
IK2_6	-.00181	.31227	-.16445
IK2_7	.12277	.22429	-.24972
IK2_8	.30276	-.04294	-.12054
IK2_9	.03481	.12731	.03739
IK2_10	-.14389	.09135	.27746
IK211A	-.13555	.34392	-.03297
IK211B	-.27750	.33992	.13596
IK2_12	.07642	.13111	-.02883
IK2_13	.06177	.17261	-.05484
IK2_15	.29000	-.10343	-.06763
IK2_16	.33073	-.11340	-.06785

```
06-Sep-90    SPSS-X RELEASE 3.1 FOR IBM VM/CMS
     1   0
     2   0   GET FILE ZSCORE2Z
     3   0

File ZSCORE2Z SPSSXFIL A1
    Created:  29-AUG-90 17:43:17 - 371 variables

     4   0   COMPUTE A1=ZIK2_1*0.04799
     5   0   COMPUTE A2=ZIK2_2*-0.11341
     6   0   COMPUTE A3=ZIK2_3*-0.16849
     7   0   COMPUTE A4=ZIK2_4*0.11351
     8   0   COMPUTE A5=ZIK2_5*0.30719
     9   0   COMPUTE A6=ZIK2_6*-0.00181
    10   0   COMPUTE A7=ZIK2_7*0.12277
    11   0   COMPUTE A8=ZIK2_8*0.30276
    12   0   COMPUTE A9=ZIK2_9*0.03481
    13   0   COMPUTE A10=ZIK2_10*-0.14389
    14   0   COMPUTE A11=ZIK211A*-0.13555
    15   0   COMPUTE A12=ZIK211B*-0.27750
    16   0   COMPUTE A13=ZIK2_12*0.07642
    17   0   COMPUTE A14=ZIK2_13*0.06177
    18   0   COMPUTE A15=ZIK2_15*0.29000
    19   0   COMPUTE A16=ZIK2_16*0.33073
    20   0
    21   0   COMPUTE B1=ZIK2_1*-0.25996
    22   0   COMPUTE B2=ZIK2_2*0.00822
    23   0   COMPUTE B3=ZIK2_3*-0.06412
    24   0   COMPUTE B4=ZIK2_4*-0.10178
    25   0   COMPUTE B5=ZIK2_5*-0.06114
    26   0   COMPUTE B6=ZIK2_6*0.31227
    27   0   COMPUTE B7=ZIK2_7*0.22429
    28   0   COMPUTE B8=ZIK2_8*-0.04294
    29   0   COMPUTE B9=ZIK2_9*0.12731
    30   0   COMPUTE B10=ZIK2_10*0.09135
    31   0   COMPUTE B11=ZIK211A*0.34392
    32   0   COMPUTE B12=ZIK211B*0.33992
    33   0   COMPUTE B13=ZIK2_12*0.13111
    34   0   COMPUTE B14=ZIK2_13*0.17261
    35   0   COMPUTE B15=ZIK2_15*-0.10343
    36   0   COMPUTE B16=ZIK2_16*-0.11340
```

```
37   0
38   0    COMPUTE C1=ZIK2_1*0.34128
39   0    COMPUTE C2=ZIK2_2*0.31389
40   0    COMPUTE C3=ZIK2_3*0.42132
41   0    COMPUTE C4=ZIK2_4*0.15271
42   0    COMPUTE C5=ZIK2_5*-0.11517
43   0    COMPUTE C6=ZIK2_6*-0.16445
44   0    COMPUTE C7=ZIK2_7*-0.24972
45   0    COMPUTE A8=ZIK2_8*-0.12054
46   0    COMPUTE C9=ZIK2_9*0.03739
47   0    COMPUTE C10=ZIK2_10*0.27746
48   0    COMPUTE C11=ZIK211A*-0.03297
49   0    COMPUTE C12=ZIK211B*0.13596
50   0    COMPUTE C13=ZIK2_12*-0.02883
51   0    COMPUTE C14=ZIK2_13*-0.05484
52   0    COMPUTE C15=ZIK2_15*-0.06763
53   0    COMPUTE C16=ZIK2_16*-0.06785
54   0
```

31-Aug-90   SPSS-X RELEASE 3.1 FOR IBM VM/CMS

```
 4   0    COMPUTE KNOW1=SUM.1(A1 TO A13)
 5   0    COMPUTE KNOW2=SUM.1(B1 TO B13)
 6   0    COMPUTE KNOW3=SUM.1(C1 TO C13)
 7   0    LIST VARIABLES KNOW1 KNOW2 KNOW3
 8   0
```

```
12   0    RECODE ZKNOW1 TO ZKNOW3
13   0     (LO THRU -.842=1) (-.8421 THRU -0.253=2) (-.2531 THRU .253=3)
14   0     (.2531 THRU .842=4) (.8421 THRU HIGHEST=5)
15   0
```

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