MAURITIUS RESEARCH COUNCIL

INNOVATION FOR TECHNOLOGY

ENTREPRENEURSHIP AND MARKETING STRATEGY: 'THE MAURITIAN SME UNDER GLOBALISATION'

Final Report

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'Entrepreneurship and Marketing strategy: The Mauritian SME under Globalisation'

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Purpose: The purpose of the present research is to investigate the role of entrepreneurship, marketing strategy and globalisation within the SME sector using Mauritius, as a study setting.

Design/methodology/approach: Following the literature review, a pilot study involving face-to-face interviews and focus groups with owner-managers was undertaken. The main thrust of the research involved a survey based on both the literature review and the pilot study. Exploratory factor analysis was employed to assess the reliability of the results.

Findings: The paper concludes that SMEs owners had a scant notion of marketing and its different components, resulting in an inability to successfully carry thorough marketing activities. Local firms adopted a laissez-faire approach to their operating environment, and were largely unprepared for any changes that may arise with the main strategic goal being that of survival Furthermore, even though Mauritian SMEs were internationally oriented, only few of them embarked on a strategy of internationalization.

Practical implications: The findings discussed will have a number of implications for the government and the various industrial promotion and support institutions. The useful insights derived from this study will provide the building-blocks for understanding SMEs market and entrepreneurial orientation capabilities and as such appropriate measures and strategies may be devised by the government and other related institution towards the promulgation of SMEs, even more so, relevant in view of their significant contribution to growth and employment.

ANOVA	Analysis of Variance
BPO	Business Process Outsourcing
BTS	Bartlett test of sphericity
CQI	Continuous quality improvement
CSO	Central Statistical Office
DBM	Development Bank of Mauritius
DIY	DO It Yourself
EC	European Commission
EPZDA	Export Processing Zone Development Authority
ESE	Entrepreneurial Self Efficacy
F	F Statistics
HDTV	High Definition Television
KMO	Kaiser-Meyer-Olkin
MD	Mini Disc
MDO	Marketing dominated organization
MIDA	Mauritius Industrial Development Authority
MIO	Marketing Independent organization
MWO	Marketing weak organization
N	Sample Size
NCB	National Computer Board
OECD	Organisation for Economic Cooperation and Development
p	*p* value
PCN	Personal Contact Network
PLC	Product Life Cycle
R&D	Research And Development
SBA	Small Business Administration
SME	Small And Medium Enterprise
SMIDO	Small And Medium Industries Development Organisation
SWOT	Strengths, Weaknesses, Opportunities, Threats
TQM	Total Quality Management
VCR	Video Cassette Recorder
WTO	World Trade Organisation
USP	Unique Selling Proposition

Chapter 1

Introduction

1.0 Introduction

Small and medium enterprises (hereafter SMEs) are the driving force of both developing and highly industrialized economies because they are the primary source of innovation, growth and new employment (WTO, 2005). In the Organisation for Economic Cooperation and Development (OECD) countries, SMEs make up over 95 per cent of enterprises, a large number of which are services firms. Worldwide, the importance of SMEs is even more pronounced. A recent UNCTAD study found that SMEs usually comprise of approximately 99 % of all enterprises worldwide and account for approximately 44 -70 % of employment and they play an especially important role in new job creation. Similarly, the economic success of the Mauritian economy cannot be solely attributed to large enterprises since the entrepreneurial role of the Mauritian SMEs has also contributed massively to the impressive performance of the island in the late 1980s.

The dynamic role of small and medium scale enterprises in developing countries as engines, through which the growth objectives of developing countries can be achieved, has long been recognised. As such, a government that is genuinely committed to the development of SMEs needs to ensure a support strategy that judiciously combines entrepreneurial, technological and managerial competence with real market opportunities and access to resources. However, combining the foregoing elements in a business concern can be assured and facilitated by a favourable political and economic climate, by a policy and regulatory environment that does not discriminate against small enterprises and by a set of institutional mechanism (private, governmental and non-governmental) that helps to upgrade managerial and technical competencies and facilitates access to markets.

Over the past few years however, it has become increasingly difficult to discuss the development of small and medium enterprises without linking it to the globalisation of markets and thus to that of the economy. Indeed, globalisation increasingly represents formidable challenges to small and medium enterprises because of increased competition, among other factors. In such a dynamic environment, marked by fast technological changes, achieving and retaining a competitive edge is both a necessity and a challenge. As such, it is becoming increasingly imperative to be internationally competitive in order to function effectively, even in domestic markets. Competitiveness is the key to success and for sustained growth in global operations. It henceforth follows that building up the competitive edge of SMEs, and improving their operational efficiency may be very beneficial in the long run, at both the national and at the enterprise level.

Hogarth-Scott et al. (1996) have examined whether small businesses need to practice marketing, if ever at all, to survive and grow and provide support to the school of thought that argues that marketing is relevant for small and large firms. Contrastingly though, they find that there is considerable variation in the sophistication of marketing practice between small businesses, ranging from virtually no marketing at all and lack of understanding of markets, to quite sophisticated marketing strategies and tactics in some of the more successful businesses. This may be explained by the fact that marketing practice is situation specific and is dependent on several factors, for example, the nature of the markets served, the growth stage of the firm, the types of product or service offered, and the quality of management.

However, other studies have argued that marketing does not exist or, at best, is performed in a very primitive fashion in new small firms. Much of the research into marketing in small businesses concludes that it is frequently underutilized and misunderstood by small business owner-managers. Much of the fairly limited literature in respect of small firms' marketing points to a brand of marketing that is unique to small firms (Carson *et al*., 1995; Mackintosh and Tynan, 1994; Carson, 1993; Carson and Cromie, 1989). Such literature suggests that existing conventional or formal marketing approaches are inappropriate for small firms, as small firms are "different".

1.1 Objectives of the Study

Since very little is known about how SMEs carry out their marketing activities or how they operate and prosper under globalisation, the main objectives of this study are as follows:

1. Analyse the general marketing orientation and competencies of SMEs in Mauritius.

The importance of marketing competencies reside within the notion that one of the major factors contributing to business success, is the extent to which marketing is understood and applied within businesses. Conant, Smart, and Solano-Mendez (1993) note, for instance, that small merchants with clearly defined strategies, enjoy a competitive advantage, in part, because they possess relatively more distinctive marketing competencies.

2. Analyse if the current marketing orientation and competencies of SMEs in Mauritius would secure them a competitive edge on the international market.

Akimova (2000) has argued that competitive companies must produce and deliver products and services that meet customer needs and wants. Small companies cannot compete successfully by blindly duplicating the strategies and practices of large companies. The increasing internationalisation and globalisation of business has led many firms to reconsider what contributes to their competitive advantage (Rundh, 2005). In the case of the small firm, the literature on small firm internationalisation points to how the changing environment influences the development and survival of smaller organizations.

3. Study the strategic orientation of SMEs in Mauritius.

Strategy and the formulation of strategy are crucial in the firms' management process. The strategy provides the firm with ways and means which it plans to use to achieve its goals. There are, however, some indications that SMEs pay little attention to strategy and strategy formulation (e.g. Snuif and Zwart, 1994a), which may have an adverse impact on performance.

4. Profile the characteristics of the Mauritian entrepreneur.

The entrepreneurship philosophy is best understood by analyzing the characteristics of individual entrepreneurs. Bollier (1999), for instance, declares that some of the most important characteristics of entrepreneurialism have their foundations in the personal traits of the entrepreneur. Gartner (1994) accordingly states that the best method to identify an entrepreneur is by investigating their behaviour. Others researchers have even associated the personality traits of entrepreneurs to the notion of success, arguing that it is an underlying characteristic of a person, which results in effective and superior performance in a job (Klemp, 1980).

5. Determine the importance of networking for SMEs in Mauritius and analyse if good networks encourage the SMEs to intetnationalise.

Gilmore et al. (2001) argued that SME marketing in practice is thought to be largely done through networking or a combination of transaction, relationship, interaction and network marketing (Brodie et al., 1997).

6. Analyse the extent of internationalisation of Mauritian SMEs.

There is an extensive literature, which identifies the international orientation of the owner-manager as a key determinant of the nature and extent of internationalization. Cavusgil and Godiwalla (1982) argue that the internationalisation decision is characterised by the absence of deliberate logical steps and is constrained by the subjective view and perceptions of the decision maker. This can be linked to the concept of *international orientation*, as identified by Wiedersheim-Paul (1978), that is, the internationalisation process is by and large determined by the international outlook of the decision maker. While within a larger firm, the decision making process would probably be a group activity; within the small firm however, this would tend to rest with the owner manager.

1.2 Chapter outline

Chapter One – Introduction

Chapter one justifies the need of the current research and gives an overview of the main literature on the globalisation, marketing and entrepreneurship.

Chapter Two – Literature Review: The Small and Medium Enterprise

Chapter two provides a review of the contribution of SMEs around the world, their nature; characteristics and provides definitions of such firms in Africa & in Mauritius.

Chapter Three - Literature Review: Entrepreneurship

Chapter three provides an overview of the entrepreneurship phenomenon. It explicitly defines the term entrepreneurship, types of entrepreneurship, teamwork in entrepreneurship and entrepreneurship across developed and developing countries.

Chapter Four - Literature Review: Marketing

Chapter Four provides a review of the existing literature in the field of Marketing. The emphasis is on marketing strategy, marketing mix and marketing implementation in the context of SMEs.

Chapter Five - Literature Review: Globalisation

Chapter Five focuses on the concept of globalisation and internationalisation. It also gives an overview of SMEs and globalisation, SME motives to go global, their pace of internationalisation, their different international strategies, their modes of entry and obstacles to internationalisation.

Chapter six – Research Methodology

A funnel approach has been used to gather data for this project. Hence, chapter six explains the methodology, which has been used for in-depth interviews, focus groups and survey.

Chapter Seven - Findings and Discussions

Following the review of the different concepts in existing literature on SMEs, marketing, strategy and globalisation and the findings of the in-depth interviews, focus groups and survey, chapter seven integrates the various findings and discusses strategies which SMEs must adopt to go global.

Chapter Eight – Recommendations

Chapter eight provides an overview of the different recommendation for SMEs to go global. The focus of the recommendations are in respect of internationalisation, entrepreneurship, marketing mix development, marketing strategy and business strategy, clustering, branding and training.

Chapter Nine – Conclusion

Chapter nine provides a concluding note to the study and provides areas for further research.

Chapter 2

Literature Review – The Small and Medium Enterprise

2.0 Introduction

This chapter gives a review of the contribution of SMEs in the world, their nature, characteristics and provides definition of such firms in Africa & in Mauritius.

2.1 The small and medium enterprise.

Out of 75 million enterprises across the world, 90% are small and medium-sized enterprises - particularly in developing countries. Zimmerer and Scarborough (1994) note that across the globe people in country after country are choosing economic systems anchored by highly productive small businesses. As such, small and medium-sized enterprises play an increasingly important role in global economies in recent years. This is in accordance with India Watch (2002) who reports that the SME in North America, Europe, Japan, South Korea, Taiwan and China contribute to nearly 80%, directly and indirectly, of their respective GDP's as well as exports.

2.2 The SME and its contributions to the economy

The small business development literature argues that SMEs embody special advantages that proffer unique contributions to the economy. Perhaps the most frequently stated claim is that SMEs create a preponderant share of newly generated jobs and therefore hold the key to employment and poverty reduction. This idea that small firms are a particularly effective engine for job creation was elevated to "conventional wisdom" by repeated pronouncements of the U.S. Small Business Administration and a range of political leaders in the 1980s. Their view of the job generation process in America was guided by the work of Birch (1979, 1981, 1987) who revealed the startling finding in 1979 that 8 out of 10 new jobs in America, in the 1970s, had been generated by firms with fewer than 100 employees. More recently the Small Business Administration stated that 99.7 percent of all organizations are firms with fewer than 500 employees, which employ 54 percent of the U.S. workforce (SBA, 1997).

In the EU, for instance, SMEs account for 99.9 percent of all organizations and provide 72 percent of total employment (European Network for SME Research, 1997), although some employment share disparities can be observed among European countries (Albors and Kingham, 1998). In Japan, SMEs represent 99.5 percent of all establishments and 73.8 percent of the workforce (OECD, 1997). Small and medium-sized enterprises are also considered as the backbone of the private sector in the developing world, creating jobs and providing a tax base for local government. For instance, in countries such as Indonesia, India and Taiwan, SMEs contribute over 40% to GDP growth of their respective countries.

However, some authors have contended that the job creating impact of small-scale enterprises is a statistical flaw; as it does not take into account offsetting factors that makes the net impact more modest (Biggs, Grindle and Snodgrass, 1988). Moreover, it is also argued that increases in employment by SMEs are not always associated with increases in productivity. Beck and Levine (2003) explore the relationship between the relative size of the small and medium enterprise (SME) sector, economic growth, and poverty. Using a sample of 76 countries, they find a strong association between the importance of SMEs and GDP per capita growth but this relationship, however, is not robust to controlling for simultaneity bias. So, while a large SME sector is a characteristic of successful economies, the data fail to support the hypothesis that SMEs exert a causal impact on growth. Furthermore, the authors find no evidence that SMEs reduce poverty.

Nevertheless, the important role performed by these enterprises cannot be overlooked. Small firms have advantages over their large-scale competitors. Indeed the firm has also been seen in terms of its entrepreneurial and innovative powers, as the source of brilliant new products, services and processes of the future. Scott (1991), for example, declares that small firms can be fast and flexible, and close to their customers and can be a competitive spur to large firms; they perform important sub-contract functions; they are innovatory, are more likely to be locally owned, and are a way in which centralising forces in the distribution of power in society can be counterbalanced. Additionally, it is thought that their flexible nature enable SMEs to withstand adverse economic conditions.

Moreover, because of its size and simplicity of structure, the small business is able to adapt and react quickly to changes in the economy and business environment. This indicates that small businesses are more adept to cope with market place changes, and are therefore more likely to survive difficult times.

2.3 The nature of the small and medium enterprise

Just like the proverbial elephant the small firm is one of those things that is recognised when seen but difficult to define (Gore et al., 1992). This view is shared by McMahon et.al. (1993) who consider defining small business as a vexing and enduring difficulty and go on to indicate that small enterprises are easier to describe than to define in precise terms. As such, the research and related literature does not possess a universally accepted definition of small business,[1] which is according to Culkin and Smith (2000) due to the wide diversity of businesses. Biggs (2002) further explains that SMEs are a heterogeneous group – ranging form small workshops making furniture, metal parts and clothing to medium-sized manufactures of machinery and services providers, such as restaurants, consulting and computer software firms.

Definition of the small and medium enterprise

I. A quantitative definition.

The term SME refers to companies in all sectors, including crafts and skilled trades, so long as a given size threshold is not exceeded (Clements et al., 1997). Economists have identified a number of such indicators, like profit, invested capital, balance-sheet total, earnings, total capital, equity, market position, production and sales volumes, number of employees and turnover (Haake, 1987; Theile, 1996).

However, statistically determining the exact corporate size generally leads to a number of problems, since an appropriate size indicator is required. The advantage of the relative ease with which these quantitative criteria can be obtained has, on the other hand, a

[1] Mukhtar (1998) and Storey (1994).

number of disadvantages based on the limitation of the information they contain. Boswell (1973) indicates that precise definitions based on money measures like assets, turnover or profits are subject to the obvious erosion of inflation, as well as being riddled with statistical and accounting holes. Storey (1994) argues that a small firm in an industry like petrochemicals, is likely to have much higher levels of capitalisation, sales and possibly employment, than a small firm in the car repairs trade. What this means is that definitions which employ measures of size (like number of employees, turnover, profitability and net worth.) when applied to one sector, can lead to all firms being classified as small, while the same size definition when applied to a different sector can lead to a different result.

The ABS (2000), however, concludes that an employment-based proxy has a number of advantages over financial measures of size, specifically: the number of employees is easily understood and readily visualized; it maintains status quo; and that financial measures would, over time, need to be adjusted for inflation. Holmes and Gibson (2001) identify that an additional reason for supporting the number of employees as proxy is that it does not suffer from the same valuation difficulties as financial value based measures. Most financial measures are the result of a range of computations and assumptions, which means that the measurement basis of such information would need to be known and some form of detailed conversion undertaken to bring the measures to a common platform. Yet, Boswell (1973) argues that even measures based on employment, which are closer to common experience, are dubious.

Nonetheless, even if the question of the representativeness of the quantitative approach cannot be completely answered, the criteria “number of employees”, “value of fixed assets” and “turnover per enterprise” have crystallized into the size divisions of small, middle and large companies due to their simplicity, compatibility and their practical application.

1. *Number of employees*

Osteryoung and Newman (1992) state that the number of employees is the quantitative measure most frequently used to define small business. This measure logically assumes that enterprises with the same number of workers will exhibit similar characteristics and may, therefore, benefit from the same policies and/or targeted for the same assistance programmes. Usually, the following minimum and maximum numbers are often used for classification purposes: small enterprises, from 5 or 10 to between 20 and 50 workers. A maximum of 100 workers is also used in some industrialized countries. For medium enterprises – the number of workers may range between 20-50 and 300-500, following the above two options for small enterprises.

While some countries do not classify some of the above sizes of enterprises separately, others use further sub-groupings based on additional quantitative and/or qualitative criteria. For example, some countries use a single grouping for micro, small and medium-sized enterprises under the “SME” category, in addition to “large enterprises”. Others use additional groupings based on qualitative criteria such as “cottage industries”, “craft enterprises” or “survivalist micro enterprises”.

2. Value of fixed assets

The value of fixed assets is also used as a classification criterion in many countries. However, it is less easy to use because small enterprises do not generally have a precise estimate of their fixed assets. As a result, the value of the latter may vary from time to time or the owners of SMEs may not wish to provide this type of information. The value of fixed assets also depends on the level of development of the country and on the sector under consideration.

3. Turnover per enterprise

The turnover per enterprise can also be used as a classification criterion since it is closely correlated to both the number of employees and the size of fixed assets. This classification criterion is usually applied separately for enterprises in the manufacturing sector and enterprises in the trade and services sectors.

II. A qualitative definition.

Qualitative definitions have, on the other hand, focused on the special characteristics that distinguish small enterprises from larger corporations like independent management and small market share. The Wiltshire Committee's (1971) definition of small business, for instance, states that it is a business in which one or two persons are required to make all the critical management decisions such as finance, accounting, personnel, purchasing, processing or servicing, marketing, selling, without the aid of internal specialists and with specific knowledge in only one or two functional areas (Berryman, 1983). The Bureau of Industry Economics (1988) further reinforces this definition, by proclaiming that there is an agreement that small firms are generally independent of outside control and have a personalised management structure.

Mintzberg (1999) describes the small firm as a structure that has little or no staff, a loose division of labour and a small managerial hierarchy. He further adds that little of its activity is formalised, and it makes minimal use of planning procedures or training routines. Moreover, power tends to focus on the chief executive, who exercises a high formal profile, since the creation of strategy, which tends to be highly intuitive, is under his responsibility. Additionally, Osteryoung and Newman (1992) propose that a small business may be defined as a business in which there is no public negotiability of share ownership and a business in which owners must personally guarantee any existing or planned financing[2].

Similarly, the Committee for Economic Development in the US defines the small business as an organisation that must have at least two of the following features: the management is independent since the manager usually owns the business, the capital is supplied and ownership is held by an individual, or a few individuals, the area of operations is primarily local, although the market is not necessarily local, the business is small in comparison with the larger competitors in its industry. However, qualitative criteria are not often used because they are less precise and more difficult to collect and apply (ILO, 2003).

[2] This is consistent with the work of Ang (1991) as discussed previously.

III. Both a quantitative and a qualitative definition.

As a result, most of the commonly adopted definition in the SME research literature encompasses a combination of both the quantitative and qualitative elements described above. Meredith (1994) explains that any description or definition must include a quantitative component that takes into account staff levels, turnover, assets together with financial and non-financial measurements, but that the description must also include a qualitative component that reflects how the business is organised and how it operates. So he stipulates that a small business is one in which one or two persons are required to make all of the critical decisions (such as finance, accounting, personnel, inventory, production, servicing, marketing and selling decisions) without the aid of internal (employed) specialists and with owners only having specific knowledge in one or two functional areas of management.

A review undertaken by the Small Business Deregulation Task Force (Bell Report (1996) reinforced the adoption of this somewhat standard definition, which details the qualitative aspects of the small firm, combined with a quantitative guideline: independently owned and operated; most, if not all, capital contributed by owners and managers; closely controlled by owner/managers who make principal decisions; and have a turnover of less than $10 million.

The most widely accepted definition is one based on the ideas of the Bolton Committee (1971) who formed a definition that had both a qualitative and a quantitative element, namely the economic definition and the statistical definition.[3] Under the economic definition, a firm is regarded as small if it meets the following three criteria: (1) it has a relatively small share of their market place; (2) it is managed by owners or part owners in a personalised way, and not through the medium of a formalised management structure; and, (3) it is independent, in the sense of not forming part of a large enterprise.

[3] It is to be noted that it was the first attempt to overcome the definition problem identified by Storey (1994).

In turn, the Bolton Report (1971) has adopted a number of different statistical definitions, intimating that size was relevant to sector. For example, a firm of a given size could be small in relation to one sector where the market is large and having many competitors. The statistical definition provided by the report entails quantifying the size of the small firm sector and its contribution to variables like GDP, employment, exports; comparing the extent to which the small firm sector's economic contribution has changed over time; and applying the statistical definition in a cross country comparison of the small firms' economic contribution.

However, Kayanalu and Quartey (2000) cite a number of weaknesses that can be identified with the Bolton Committee's "economic" and `statistical' definitions. First, the economic definition which states that a small business is managed by its owners or part owners in a personalised way, and not through the medium of a formal management structure, is incompatible with its statistical definition of small manufacturing firms which can have up to 200 employees. As firm size increases, owners no longer make principal decisions but devolve responsibility to a team of managers. For example, it is unlikely for a firm with hundred employees to be managed in a personalised way, suggesting that the `economic' and `statistical' definitions are incompatible. Another shortcoming of the Bolton Committee's economic definition is that it considers small firms to be operating in a perfectly competitive market. However, the idea of perfect competition may not apply here; many small firms occupy `niches' and provide a highly specialised service or product in a geographically isolated area and do not perceive any clear competition (Wynarczyk et al, 1993; Storey, 1994).

It was against this background that the European Commission (EC) coined the term `Small and Medium Enterprises'. The SME sector, according to the commission, is made up of three components: (i) Firms with 0 to 9 employees - micro enterprises, (ii) 10 to 99 employees - small enterprises and (iii) 100 to 499 employees - medium enterprises. Thus, the SME sector is comprised of enterprises (except agric, hunting, forestry and fishing), which employ less than 500 workers. In effect, the EC definitions are based solely on employment rather than a multiplicity of criteria. However, the EC definition is too all-embracing for a number of countries and so researchers will have to use definitions for small firms which are more appropriate to their particular `target' group (Kayanula and Quartey, 2000). In addition, the definition of SME will vary by country. For example, countries with large economies like the US and member states of the EU use cut-off points of fewer than 500 workers to describe SMES but in developing countries, where market size and average firm size are both much smaller, cut-off points of fewer than 100 workers or 250 workers are often used.

2.4 SMEs' Characteristics: Is the small firm fundamentally different from a large firm?

SMEs play an increasingly important role in many economies. Whilst it is important to recognise the proliferation of SMEs, it also must be recognised that many of the processes and techniques that have been successfully applied in large businesses, do not necessarily provide similar outcomes when applied to SMEs. This is perhaps best summed up by Barnet and Macknesss (1983) and Westhead and Storey (1996) who state that SMEs are not 'small large businesses', but are a separate and distinct group of organizations compared to large businesses. Building upon the observation of Penrose (1959), that small and large firms are fundamentally different from each other, theorists have attempted to identify those characteristics of the small firm, other than size, which distinguish it from the larger enterprise. Here are the central respects in which small firms are different to large firms.

2.4.1 Management Style

A number of recent studies (see Reynolds et al, 1994; Murphy, 1996; Bunker & MacGregor, 2000) have examined the differences in management style between large businesses and SMEs. Welsh and White (1981), in a comparison of SMEs with their larger counterparts found that SMEs suffer from a lack of trained staff and had a short-range management perspective. These early suggestions have been supported by more recent studies which have found that most SMEs lack technical expertise (Barry & Milner 2002), do not have access to adequate capital to undertake technical enhancements (Raymond, 2001), suffer from inadequate organisational planning (Tetteh & Burn, 2001) and differ from their larger counterparts in the extent of the product/service range available to customer (Reynolds et al, 1994).

Moreover, these studies have shown that, among other characteristics, SMEs tend to have a small management team (often one or two individuals), have a strong desire to remain independent, [4] have little control over their environment[5] and are strongly influenced by the owner and the owner's personal idiosyncrasies.

Issues that can also affect the way the small firm takes decisions – particularly with regard to communications and marketing –include: the small firm owners' age, their gender, their level of educational attainment, their previous employment – were they involved with a large company and decided to set up on their own, or have they always been self-employed?, their general attitudes – small businessman are notoriously cautious but clearly some are more at the early innovator end of the spectrum than others, their business philosophy – inward or outward focused? And how they manage their time, particularly in terms of the overlap and space between work and play?

2.4.2 Information Technology

In an increasingly complex and turbulent environment, mastering information technologies (IT) has become a critical success factor for modern organizations (Blili and Raymond, 1993; Raymond and Blili, 1998). The impact of IT on business firms is such that they can profoundly change the way in which they communicate, both internally and externally, enable the reengineering of business processes (Raymond et al., 1998), as well as support strategy-making and managerial decision-making (Choffray and Lillien, 1986; Higby and Farah, 1991; Raymond and Lesca, 1995). Thus, IT can affect customer service, operations and production, and marketing strategies in terms of communication and distribution. These technologies also facilitate the acquisition, processing and analysis of information (Salern, 1997).

[4] This is supported by the findings of Dennis (2000) and Drakopolou-Dodd et al (2002).
[5] This is supported by the studies of Westhead & Storey (1996) and Hill & Stewart (2000).

The differences between SMEs and their larger counterparts are highlighted even more when their approaches to IT are considered. Khan and Khan (1992) suggest that most SMEs avoid sophisticated software and applications.[6] In regard to the computer software implemented by the SMEs, Raymond and Brisoux (2003) found the presence of accounting software (accounts receivables/payables, general ledger, billing) in all SMEs sampled, as well as financial (analysis, forecasting) and manufacturing management software (production planning, procurement, order entry) in approximately 70 to 80% of the cases. They also note that 70% of the sampled firms have an Internet link, but only 40% operate a local area network.

2.4.3 Customer Loyalty

It follows, therefore, the small businesses occupying a niche market often become reliant on a small but loyal customer base. Should they lose only one or two of these customers the business may well fail. Even if small firms' unique characteristics do not always endow them with great influence in their markets, it must be recognised that their size can often afford them competitive advantage. Indeed, the fluid arrangements, in terms of less rigid, sophisticated and complex structures that prevail in small firms do not inhibit the creativity and flexibility which are necessary for continued success.

2.4.4 Finance

Small businesses often find it difficult to raise the finance to grow, and are very dependant on customers prompt payment in order to survive. Often if one or two customers do not pay their bills promptly, the business fails. Ang (1991) has suggested a number of factors that distinguish small firms from their larger counterparts in the context of financial management practices. These include issues such as the fact that the securities of small firms are not publicly traded, owners investments are undiversified, limited liability is rarely present in a true economic sense, managers tend to have general rather than specific expertise, transaction costs of various sorts are high and, to the extent

[6] This is in line with the studies carried out by Chen (1993), Cragg and King (1993), Holzinger and Hotch (1993) and Delvecchio (1994).

that management and ownership are separated, the relationship is nevertheless largely informal.

2.4.5 Uncertainty

With regard to 'uncertainty', three dimensions are identified. The first is the uncertainty associated with being a price-taker, which can be considered to be the inverse of the Bolton definition, which emphasised the small share of the market place. The second source of uncertainty for small firms is their limited customer and product base – a classic example being where small firms simply act as subcontractors to larger firms. Such firms are open to 'subcontractor vulnerability' (Lyons and Bailey, 1993), which is created not only by dependence on dominant customers, but also upon the extent to which output is specialised to particular customers, the specificity of investment decisions made, and the probability that the customer will withdraw the custom. Lyons and Bailey (1993) found that even for subcontractors as whole, the smaller firm clearly perceives itself to be more vulnerable than the larger firm and acts accordingly. The third and last dimension of uncertainty relates to the much greater diversity of objectives of the owners of small firms, compared with large firms. Storey (1994) argues that many small business owners seek only to obtain a minimum level of income rather than maximising sales or profits. Small business owners do not have to concern themselves with reporting their actions to external shareholders and so 'performance monitoring' effectively does not exist.

ii. Innovation

A key area of difference between small and large firms is their role in innovation. Conventionally, the role small firms play in innovation relates to their 'niche' role where: "it is the ability of the small firm to provide something marginally different, in terms of product or service, which distinguishes it from the more standardised product or service provided by the larger firm" (Storey, 1994). Small firms are more likely to introduce fundamentally new innovations than larger firms, a feature often attributed to small firms having less commitment to existing practices and products (Pavitt et al. 1987).

iii. Evolution

Another area of difference between a large and small firm is the much greater likelihood of evolution and change in the smaller firm (Storey, 1994). Scott and Bruce (1987) see the transitions made by small firms into becoming larger ones as a multiple-stage change, unlike Penrose (1959) who views it as a single-stage change. Thus, small firms that become larger undergo a number of stage changes, which influence the role, and style of management as well as the structure of the organisation (Scott and Bruce, 1987). Here, the key point is that the structure and organisation of the small firm is more likely to be in a state of change. Secondly, there is the greater likelihood of evolution and change in the smaller firm; small firms, which become large, undergo a number of stage changes.

2.5 SMEs definition in Africa

Beyene (2002) stipulates that definitions in other countries lack uniformity and reflect the relative development of the relative economies. For instance in the USA, the small business administration defines ‘small business’ as any business with less than 500 employees, which may represent medium to large enterprises in the African context. While Mauritius defines SMEs as manufacturing enterprises which use production equipment with an aggregate CIF value not exceeding Rs 10 million. Unlike other African countries, South Africa uses an elaborate categorisation of survivalist, micro enterprises, small enterprises, medium enterprises and large enterprises. The micro and small enterprises are further subdivided into small micro and very small enterprises. Survivalist enterprises represent activities by people unable to find paid jobs or get into the economic sector of their choice. Small enterprises which constitute the bulk of established businesses have a labour force ranging from 5 to 500 employees. They are often owner-managed or family controlled businesses and are likely to operate from business or industrial businesses, are registered and satisfy other formal registration requirements. Medium enterprises often employ up to 200 persons and have capital assets excluding property, of about 5 million Rand.

In Namibia, on the other hand, the government defined small businesses in the manufacturing sector as those with employment of less than 10 persons, turnover of less than N $1 000 000 and with capital employed of less than N $ 500 000. In all other businesses, a small business is defined as one which employs less than 5 persons, whose turnover is less than N $ 250 000 and capital employed of less than N $ 100 000. Thus as can be surmised from the foregoing examples, which represent more the rule than the exception in many African countries, there is hardly a definition of SMEs.

2.5.1 Constraints to SME Development in African countries

The dynamic role of small and medium scale enterprises (SMEs) in developing countries as engines, through which the growth objectives of developing countries can be achieved has long been recognised. As such, a government that is genuinely committed to the development of SMEs needs to ensure a support strategy that judiciously combines entrepreneurial, technological and managerial competence with real market opportunities and access to resources. However, combining the foregoing elements in a business concern can be assured and facilitated by a favourable political and economic climate, by a policy and regulatory environment that does not discriminate against small enterprises and by a set of institutional mechanism (private, governmental and non-governmental) that helps to upgrade managerial and technical competencies and facilitates access to markets.

However, despite the wide-ranging economic reforms that have instituted, SMEs face a variety of constraints owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit costs of providing services to smaller firms (Schmitz, 1982; Liedholm & Mead, 1987; Liedholm, 1990; Steel & Webster, 1990). What follows below, is a set of constraints identified with the sector.

2.5.1.1 Input Constraints

SMEs face a variety of constraints in factor markets (also see Levy, 1993), with factor availability and cost being the most common ones. The specific problems differed by country, but many of them were related, varying according to whether the business perceived that their access, availability or cost was the most important problem and whether they were based primarily on imported or domestic inputs (World Bank, 1993; Parker et al, 1995). SMEs in Ghana and Malawi emphasised the high cost of obtaining local raw materials, which according to Parker et al, (1995) may stem from their poor cash flows. Aryeetey et al. (1994) found that 5% of their sample cited the input constraint as a problem. However, Daniels & Ngwira (1993) reported that about a third of Malawian SMEs reported input problems. This can also be contrasted with only 8.2%, 7.5% and 6.3% of proprietors in Botswana, Swaziland and Lesotho. It was also found that input constraints vary with firm size.

2.5.1.2 Finance

Access to finance tops the list of constraints faced by small enterprises everywhere (Beyene, 2002). Although most often SME entrepreneurs acquire their capital from their own savings or from family savings, they also resort to traditional banking sources to meet their capital requirements. However, because of their weak financial base, SMEs are regarded as high risk areas and as such do not succeed in attracting enough loans. Because of the high transactional cost involved and inability of small enterprises to provide the collateral banks require, SMEs find themselves starved for funds at all stages of their development ranging from start-up to expansion and growth.

Moreover, in the absence of umbrella institutions offering information on financial services, many SMEs are unaware of the facilities that exist. There may be many institutions, each advertising its services separately, but may not be known to many potential services who could have used their services. It is reported that in Kenya the lack of an information centre and appropriate channels constitutes a major handicap for the collection of relevant information for SME development.

2.5.1.3 Labour Market

This seems a less important constraint to SMEs considering the widespread unemployment or underemployment in these countries. SMEs generally use simple technology which does not require highly skilled workers. However, where skilled workers are required, an insufficient supply of skilled workers can limit the specialisation opportunities, raise costs, and reduce flexibility in managing operations. Aryeetey et al (1994) found that 7% of their respondents indicated that they had problems finding skilled labour, and 2% had similar problems with unskilled labour. However, only 0.9% of Malawian firms were reported to have had labour problems.

2.5.1.4 Equipment & Technology

SMEs rarely gain access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. Besides, other constraints on capital, and labour, as well as uncertainty surrounding new technologies, restrict incentives to innovation. Aryeetey et al (1994) observed that 18% of the sampled firms identify old equipment as one of the four most significant constraints to expansion (18.2% in Parker et al, 1995). This is in contrast to the 3.4% reported in Malawi (Daniels & Ngwira, 1993; Makoza & Makoko, 1998).

1.5.1.5 Policy and regulatory environment

Whether they cater specifically to the domestic market or operate in the global market, SMEs can immensely benefit from a conducive policy and regulatory environment. Absence of such an environment can force SMEs to early exit from the market. Governments, genuinely committed to the promotion and developments of SMEs, have to make sure that an enabling policy and regulatory framework is in place. A survey source undertaken in 13 countries in the different sub-regions of the African continent revealed that the policy and regulatory environment in many African countries were wanting in many aspects. While in a few countries there exist good policy and regulatory environment, many of the countries surveyed still suffer from a disabling environment.

2.5.1.6 Lack of Entrepreneurial & Business Management Skills

Lack of managerial know-how causes significant constraints on SME development. Even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. The scarcity of management talent, prevalent in most countries in the region, has a magnified impact on SMEs. The lack of support services or their relatively higher unit cost can hamper SME efforts to improve their management because consulting firms often are not equipped with appropriate cost effective management solutions for SMEs. Furthermore, absence of information and/or time to take advantage of existing services results in weak demand for them.

Despite the numerous institutions providing training and advisory services, there is still a skills gap among the SME sector as a whole. Daniels & Ngwira (1993) found that about 88% of Malawian SMEs desired training in various skills but as of 1992, less than 6% have actually received it. In Ghana, although a lot has been achieved in this regard, there is still room for improvement.

2.5.1.7 International Markets and marketing

SMEs face serious market constraints such as, inability to sell products and services and lack of access to appropriate, relevant and understandable information and advice. With globalisation opening up potential opportunities to access global markets, SMEs are increasingly being encouraged to take advantage of the emerging opportunity but find themselves unable to benefit because of the many constraints they face, including poor marketing infrastructure.

2.6 SMEs in the Mauritian context

The concept SME in common parlance in Mauritius is itself of recent origin following the enactment of the SMIDO Act in 1993. Prior to 1993, the closest appellation was ‘small scale industry’. Although there is very little data pertaining to the evolution of SMEs across time, the origins of SMEs in Mauritius can be traced back to the 1960s when Mauritius witnessed the beginning of a timid industrialization process with an import-substitution strategy with the main objective of supplying the local market and giving certain autonomy to the country.

The inward-looking industrial policy, which was the prevailing orthodoxy of the day, especially for African developing economies, was encouraging the production of such commodities as the manufacturing of blades, electrical bulbs, batteries, soap, welding and steel work for construction, refining edible oils, plastic industry, food canning, industrial poultry breeding, yogurt manufacturing, biscuits, shoes, and matches for the domestic market. Many critics (see e.g Maujean, 1996) argue that such a programme was superficially planned with no support schemes nor incentives proposed to the enterprises. Although the import substitution strategy was soon overshadowed by an export-oriented strategy with the setting up of Export-Processing Zones, many small-scale enterprises exploited the products mentioned above for the domestic market. In essence, it could be argued that early enterprises were attempts to reproduce locally models which existed abroad (Maujean, 1996).

2.6.1 Definition of SMEs in Mauritius

There is no universally accepted definition of a small and medium business. The definition of what constitutes a SME varies (Taylor and Adair 1994; Reed, 1998); it is generally based on the number of employees and financial turnover. Each organisation has derived their own definition of SMEs for convenience in their work.

In Mauritius SME has been redefined, taking into account the volume of investment in equipment which was previously one million up to 10 millions Mauritian Rupees presently to be classified as a small enterprises and with less than 50 and 200 employees for small and medium scale respectively.

The official definition of SMEs for Mauritius, which can also be referred to as the Small and Medium Industries Development Organisation (SMIDO) definition and which is in terms of the size of fixed capital rather than the number of employees has been adopted such that SMEs are defined as “enterprises engaged in manufacturing and using production equipment in their manufacturing process which includes transformation/conversion of raw materials, repair, packing, assembly of semi-finished parts into finished goods. The production equipment refers to equipment directly related to production. Such value of production should not exceed Rs3.5 million" (SMIDO Act 1993).

This definition has been revised to refer to manufacturing enterprises which use production equipment with an aggregate value of Rs 10 Million (SMIDO, 1998). It is an extension of the former definition of 'small-scale industry' (SSI) which, according to the Small-Scale Industry Act of 1988, refers to a "commercial enterprise which is engaged in 'manufacturing' and which uses 'production equipment'5 the aggregate CIF value of which does not exceed Rs 500, 000".

The SMIDO definition has the important shortcoming of being very restrictive in that non-manufacturing enterprises are not considered to be SMEs and as such do not qualify for the facilities and incentives which are offered to SMEs. For instance ICT SMEs or enterprises in the service, trade and financial sectors are antithetical to this definition especially at a time when these are the sectors, which are gaining in importance with the restructuring of the sugar, and clothing sectors.

For such reasons, the few studies which have touched upon SMEs in Mauritius (Wignaraja and O'Neil 1999) have used different definitions. In addition, available figures based on the SMIDO definition, concern those SMEs that have registered with the SMIDO and as such they represent just a minute fraction of the actual number. On the other hand, for the sake of simplicity and to avoid ambiguity, the Central Statistical Office (CSO) makes a basic distinction between small and large establishments irrespective of the industrial activity or size of fixed capital.

In accordance with the CSO, small establishments employ up to 9 workers while large establishments employ 10 or more workers. The advantages of adopting this definition are the availability of official figures due to the carrying out of regular censuses and also because it does not restrict itself to specific industrial sectors. Both definitions are clearly indicated when used in this study.

2.6.2 Institutional support available to SMEs

As Wignaraja and O'Neil (1999) argue, for the size of the country and its stage of development, Mauritius has a particularly wide range of support services for the SME sector. Beyene (2002) makes a largely similar argument especially when investigating it by African standards. This wide array of support is provided mainly through Government and parastatal agencies or financial institutions. The SEHDA (formerly the SMIDO), Mauritius Industrial Development Authority (MIDA), Export Processing Zone Development Authority (EPZDA), the Development Bank of Mauritius Ltd (DBM), National Computer Board (NCB) are generally regarded to be the main institutions, which provide support to SMEs by operating schemes to enhance the setting up or development of enterprises. They act mainly as facilitators, providing financial support, training and consultancy services, marketing and export assistance.

Chapter 3

Literature Review – Entrepreneurship

3.0 Introduction

This chapter provides an overview of the entrepreneurship phenomenon. It explicitly defined the term entrepreneurship, types of entrepreneurship, teamwork in entrepreneurship and entrepreneurship across developed and developing countries.

3.1 Entrepreneurship

The last two decades have highlighted the importance and the relevance of the entrepreneurship sector. It is, according to Sarri and Trihopoulou (2005), the driving force for the achievement of economic development[7] and job creation, contributing at the same time to personal development and effectively dealing with numerous pathogenic social phenomena. Landes (1998) further asserts that where it has existed in plenty, entrepreneurship has played an important role in economic growth, innovation, and competitiveness, and that it may also play a role over time in poverty alleviation. Additionally, Smart and Conart (1994) have also concluded that entrepreneurship is positively and significantly related to distinctive marketing competencies and organisation performance.

However, while entrepreneurship is a vital force in the economies of developing countries, there is little consensus about what actually makes up an entrepreneurial activity. In fact, the definitions of an entrepreneur and of entrepreneurship have evolved in many different and sometimes contradictory ways[8]. Aldrich (2004) tries to explain this phenomenon by stipulating that entrepreneurship is a fragmented subject of inquiry and so it includes contributions from diverse fields, such as economics, sociology, organization studies, business strategy, anthropology, and psychology to name a few. Hence, Jennings (1994) establishes that since entrepreneurial research serves a variety of purposes, taking only one of these perspectives to describe entrepreneurship will limit our understanding. Similarly Meyer, Neck and Meeks

[7] Research has shown that there is a positive and statistically strong correlation between entrepreneurship and economic growth, which has been indisputably verified across a wide spectrum of units of observations. For Audrestch, Carree, Van Stel and Thurik (2002) have found that a cost in terms of foregone economic growth will be incurred from a lack of entrepreneurship.

[8] For instance, while the Marshallian definition of entrepreneurship postulates that innovation is not associated with the entrepreneurial concept, the Kirznerian scenario speaks of continuous innovation and that of Schumpeter's of discontinuous innovation.

(2002) declare that if an overarching definition of entrepreneurship is not chosen, then the generalisation of research findings will be limited, leading to an inability to replicate studies.

However, Long (1983) points out that a broad definition will include activities that will dilute the concept of entrepreneurship of any special meaning. This is why researchers and writers often seem to pick the definition that best fits the area they are discussing (Hébert and Link, 1989; Gartner, 1990; Stanworth and Gray 1991, Chell 2001 and Gray, 2002).

Audretsch (2002) describes the term entrepreneurship as a complex term for two reasons. Firstly, he argues that this notion is an activity crossing multiple organisational forms and the second source of complexity is the concept of change to which entrepreneurship is usually associated. The writer advocates that change is relative to some benchmark and so what may be perceived, as change to an individual may not involve any new practice for the industry in which the latter is found, or it may represent change for the domestic industry but not for the global industry. Hence, he concludes that it is entrepreneurial activity that is new across all organizational forms, all the way up to the global ones, that carries the greatest potential value.

3.2 Definition of entrepreneurship

As propounded earlier, even if entrepreneurship has been, to a large extent, the subject of substantial research, there is no cohesive, generally accepted definition or model of entrepreneurial development and activity. The studies have examined entrepreneurs and entrepreneurship from different perspectives: some have tried to gain an understanding of the entrepreneurship arena through attitudes, backgrounds and personality traits and others have focused on economic factors[9], contextual circumstances and aspects of social marginality, gender and even geographical location. A consistent universal theory does not exist in entrepreneurship, but rather it consists of several different approaches. In fact, entrepreneurship is a construct that is seen by some people to relate to a process, a set of personal characteristics, a set of behaviours by others and a combination of both possibilities by yet another group.

[9] For example, Beaver and Prince (2004) have concentrated on the macro perspective of entrepreneurship and portray it as an economic necessity within a modern economy, promoting structural balance, employment choice, economic growth and functioning as a restraint to the excesses and misuse of corporate power.

3.2.1 Entrepreneurship as a process

There is near universal agreement that entrepreneurship is best conceptualised as a process (Anderson, 2000). As a matter of fact, some theorists have circumvented this hectic and difficult task of trying to identify the entrepreneur's characteristics and functions and have instead related it to a process. This concurs Bolton and Thompson's (2004) argument that since the *who* of an entrepreneur will be difficult to describe, the *what* is easier because it is based upon what the entrepreneur does, i.e., the process. Lumpkin and Dess (1996), for example, define entrepreneurship as a process construct, which concerns the methods, practices and decision-making styles that lead to new entry. Additionally, Schindehutte, Morris and Kuratko (2000) have postulated that the process perspective allows for the fact that an entrepreneurial event can be divided into steps or stages; the entrepreneurial process is manageable; the process of entrepreneurship can be ongoing or continuous and that the process can be applied in a variety of contexts, including larger, established companies. In this end, Morris (1998) and Oden (1997), note that the essence of the entrepreneurial process appears to be the same in a corporate context, although the role players, dynamics, incentives and constraints will appear to differ.

Contemporary approaches to entrepreneurship tend to emphasize the latter as a process by which innovation and growth are accomplished within an organizational context. For example, Veale (undated) stipulates that entrepreneurship is the process of creating customers through the use of marketing or innovation. Likewise, Bygrave and Hofer (1991), lay emphasis on the nature and the characteristics of the entrepreneurial process, which they depict as a process of change and discontinuity. Additionally, Kao (1991) and Timmons (1990), for example, declare that entrepreneurship is best understood as a process, the constituents of which are the entrepreneur, his persistent search for opportunities and his efforts to marshal the resources he needs to exploit them.

Stevenson et al. (1989) claim that the reason why the entrepreneur brings together a unique package of resources to exploit an opportunity is to create value. This supports Amit et al. (1993) and Ronstand (1984) who write that this process is about providing resources with wealth creation. The latter propounds that the individuals that create this wealth assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. Additionally, Hisrich (1992) entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting monetary rewards and personal satisfaction.

Bird (1988), on the other hand, chooses to split the entrepreneurial process into two components: the attitudinal and the behavioural components. Miller and Friesen (1983) describe the first component as the eagerness of an individual or organisation to embrace new opportunities and take responsibility for effective creative change. Parston (1998), on the other hand, defines the second component as managerial behaviour, which consistently exploits opportunities to deliver results beyond one's own capabilities.

- **Entrepreneurial orientation**

The term entrepreneurial orientation is a commonly used measure in the entrepreneurship literature. While some prefer to relate entrepreneurship to a process, others[10] choose to describe the term as a set of personal psychological traits, values, attributes and attitudes strongly associated with a motivation to engage in entrepreneurial activities. The entrepreneurial orientation according to Lumpkin and Dess (1996), as applied to the firm has its origins in the strategy literature. For example, Mintzberg (1973) posits that there are three types of strategy making: entrepreneurial, planning and adaptive. In a similar vein, authors like Covin and Slevin (1991) and Birkinshaw (1997) have ascertained that entrepreneurial orientation is a firm level that is closely linked to strategic management and the strategic decision making process. Miller (1983) appears to offer the earliest operationalisation of the entrepreneurial orientation concept. He defines an entrepreneurial firm as one that engages in product marketing innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, bearing competitors to the punch.

Lumkin and Dess (1996) have however noted a distinction between entrepreneurial orientation and entrepreneurship by suggesting that the former represents key entrepreneurial process that answer the question of how new ventures are undertaken, whereas the term entrepreneurship refers to the content of entrepreneurial decisions by addressing what is undertaken.

[10] McClelland (1962), Dunkelberg and Cooper (1982), Hornaday and Aboud (1971) and Timmons (1978)

It is to be noted that almost all the studies that have examined the concept of EO have considered the five dimensions propounded by Miller (1983) and Lumpkin and Dess (1996), that is, product market innovation, risk taking, proactive innovations and autonomy and competitive aggressiveness. Entrepreneurial orientation, when viewed in terms of these five dimensions, can be thought of as an organizational mindset that firms use to adapt to the business environment. As a result, it is related to the unique contexts in which an organization operates.

However, entrepreneurial orientation may also be related to the personality characteristics of a firm's founders. It is widely recognized that founders and executives of an organization can exert important influences on the actions of the organization. For example, frameworks assert that the values of the founders will influence the value system in the organization because the founders will try to attract and select people who share their values. New entrants will also try to find organizations that fit their value systems (Schneider, Goldstein and Smith, 1995). As a result, the values of the founders will exert important influences on the organizational culture. In newly established entrepreneurial organizations, the founders of the organization will be able to shape the structures and strategies of the organization and will lead the organization in a direction that is consistent with their personal tendencies. Consequently, one may expect that personality characteristics of the entrepreneurs will influence the entrepreneurial orientation of the organization.

Identifying the relationship between personality characteristics and entrepreneurial orientation is important for theoretical and practical reasons, because entrepreneurs with a certain personality trait may have a tendency to identify with a sub-optimal entrepreneurial orientation and identifying this tendency may provide benefits to the organization. In the past, achievement need, tolerance for ambiguity, risk taking and locus of control were analyzed with respect to entrepreneurial characteristics and were identified as correlates of being or desiring to be an entrepreneur (Ahmed, 1985; Begley and Boyd, 1987; Bonnett and Furnham, 1991).

Zahra (1991) finds a positive association between entrepreneurial orientation and profitability and growth while Smart and Conant (1994) report that entrepreneurial orientation and performance are significantly related. However, while Zahra and Covin’s (1995) results reveal a positive and significant relationship, Covin, Slevin and Schultz (1994) find no significant relationship. Other researchers have examined the potential moderating effect of the environment on the entrepreneurial orientation –firm performance relationship. Khandwalla (1977) finds that an entrepreneurial top management style is more effective for smaller firms in a hostile environment. Miller and Friesen (1983) report that for successful firms, entrepreneurial orientation is more positively associated with increases in environmental hostility than for unsuccessful firms. In a study of 161 independently owned small manufacturing firms, Covin and Slevin (1989) find that a high entrepreneurial strategic posture contribute to high performance for those firms facing a hostile environment, while a more conservative approach benefits firms operating in a more benign environment

3.2.2 The trait theory

The trait theory enhance the understanding of the mental world of the individual by explicating underlying and enduring qualities of individuality that influence cognitions and behaviours on both conscious and subconscious levels. Similarly, Cooper (1998) defines personality traits as constructs that explain regularities in people’s behaviour and help to explain why different people react differently to the same situation. So basically, this model seeks to select relevant traits to capture the uniqueness of the entrepreneur.

However, Day and Reynolds postulate that this theory is not sufficiently reliable to predict entrepreneurial capability and that it lacks coherent theoretical underpinning. They further contrasted it with the contingency theory which studies the characteristics needed in entrepreneurship in relation to the firm’s environment and the prevailing situation.

3.2.3 The Behavioural theory

In order to better understand entrepreneurs, researchers have used a superior approach to the trait theory, by associating entrepreneurs with certain personality and behavioural traits. This is the case of Gartner (1989) who considers the search for definition in trait approaches to be unfruitful and suggests the use of behavioral theories. In a similar vein, Virtanen (1997) advocates that if certain traits imply and predict the behaviour it will not make any difference if one applies only the behavioural theories. In fact, it is though that traits and characteristics may be those intermediating variables that explain and predict entrepreneurial activity and behaviour.

- **Consensus on the definition.**

There is, in the entrepreneurship literature, an emerging consensus about at least the 'ingredients' that any comprehensive and useful definition of entrepreneurship should encompass. Hindle (1991) called them the nine consensus elements and these include: the creation of a new organisation to pursue an opportunity, innovation management, speculation and risk bearing, coordination of disparate elements, decision making in an uncertain environment, leadership, arbitrage, product development and ownership *and* a focus on managing rapid growth in a volatile environment.

However, Bolton and Thompson (2004) still advocate the difficulty in arriving at a consensus on the term. They argue that entrepreneurs come in different shapes and sizes: some are extroverts and some are introverts; some starts from poverty while some begin with wealth; some are young and some are old; some have a family history of entrepreneurs; and some are men and some are women. Besides, Amit, Glosten and Muller (1993) suggest that there are different types of entrepreneurs; those who are profit seeking they may be working individually or in a company- and those who are not profit makers and who work in charitable, government and other benevolent organisations[11].

3.3 Profile of entrepreneur

The main gist of the above studies is that the entrepreneur is central to the entrepreneurial process. According to Hill (2001), the entrepreneur is the driving force behind it; without his/her commitment, energy and ambition, it will not happen. However, given the central role he/she plays in it, it is amazing to note the lack of any agreed definition or clear understanding in the literature, of who the entrepreneur is or what he/she does (Cunningham and Lischeron, 1991). It depends, it seems, on the individual researcher's personal perspective and approach as to how the entrepreneur and entrepreneurship are ultimately interpreted and defined.

The current study will try to investigate the most dominant traits and behaviours of entrepreneurs; which principally what theorists in the entrepreneurship arena have established to be the profile that entrepreneurs generally have in their business.

[11] It is to be noted that the different types of entrepreneurship will be dealt later in this chapter.

3.3.1 The risk-taker

It is the economist Cantillon, in the 18th century, who first introduced the expression "entrepreneur", to identify someone who organises and assumes the risk of a business in return for profits. According to the author, the entrepreneur buys at certain prices and sells at uncertain prices and thereby bears the risk caused by price fluctuations in consumer markets. While risk is the probability of incurring a loss (Knight, 1921), it has been argued by Blume (1971) that this is a somewhat imbalanced definition given that most risky decisions in business are taken on the basis of generating a potential gain, while recognising that this may not be certain. Dickson and Giglierano (1986), on the other hand, have defined risk as the likelihood that a new venture will fail to reach a satisfactory sales, profit or ROI target.

McClelland (1961) advocates that the entrepreneur will be able to minimise his risk via knowledge, which Gray (2002) defines as the capability for understanding and being able to use information and processes. He differentiates between explicit, taught knowledge, which often takes the form of shared understandings common to an industry, profession or locality, and tacit knowledge, gained through experience of markets, products and business behaviour. It is to be noted that this second type of knowledge is often ascribed as the principal source of competitive advantage of firms in this new millennium.

Additionally, Deakins (1999) has stated that the successful entrepreneurs will be those that will be minimising their risk by reducing their uncertainties associated with running a business. Knight (1921), has distinguished between risk, which is insurable and uncertainty, which is not. He states that the important role of the entrepreneur in combining factors of production is to act as the risk taker; to be responsible for decisions under uncertainty and to be rewarded by profits for the decisions made. Henceforth, if a person assumes such responsibility for uncertain outcomes then he will be performing an entrepreneurial function.

However, even if risk taking is another major dimension that has been intuitively and experimentally linked with entrepreneurship, there still remain parts of the entrepreneurship literature that have proved inconclusive with regard to this trait (Brockhaus and Horowitz, 1986). For example, Low and Mac Millan (1988) have reported inconclusive results in the situation of whether there is a high propensity for risk taking in entrepreneurs. Similarly, Cooper, Dunkelberg and Woo (1988) have also found it difficult to identify if SME managers were different from the general population. Moreover, Gray (2002) states that very small micro firms suffer of the “endowment effect”, which he defines as a stronger and a more common appeal for risk aversion than the acceptance of risk and change.

In contrast, Thompson (1999) firmly approves that entrepreneurship is invariably associated with risk; yet he establishes that it is important to use this term carefully. It is true that entrepreneurs take risk: because without risk there would be no challenge- but risks, they believe they understand and can manage. Indeed, it has been found that entrepreneurs are calculated risk-takers; they enjoy the excitement of a challenge, but they do not gamble[12]. They like achievable challenges and so they’ll take realistic risks – they’ll avoid low-risk situations (Osborne, 1995) because there is a lack of challenge and avoid high-risk situations because they want to succeed. Bolton et al., (2004) have noted that entrepreneurs take risk that they believe they understand and can manage and so relatively few are high risk-takers who take chances intuitively and with little analytical rigour. Essentially, their approach to strategy is a quick but careful initial screening of an idea, using only limited analysis to evaluate the quality of the idea. It has also been established that their success lies in vigilance, learning, flexibility and change during implementation (Bhide, 1994).

Most entrepreneurial traits are inter-related and this is particularly so with risk-taking behaviour. Risk-taking is related to creativity and innovation, and it is an essential part in turning ideas into reality. Rao and Sundaram (1993) have stipulated that by trying to be more creative, the entrepreneur will also be aware of more productive areas. When he/she is able to choose from a number of good ideas, he/she will be more willing to take the necessary risks to implement his most productive idea. Risk-taking is also linked to self-confidence, since the more confidence you have in your abilities, the greater confidence you will have in being able to affect the outcome of your decisions and a greater willingness to take what others perceive as risk.

[12] This is in line with what Stevenson (2000) has said; there are very few entrepreneurs that have ever been identified as risk seekers. As a matter of fact, they tend to be risk takers who seek to manage the risk by sequential commitment to the opportunity.

3.3.2 The organiser and the leader

Other commentators have broadened the definition of entrepreneurship to include the concept of bringing together the factors of production. Say (1828) declares accordingly that coordination is the key role in the production process of goods and services and he, hence, concludes that the entrepreneur is the fourth factor of production, which will contribute to this harmonisation[13]. He further argues that the entrepreneur creates value[14], by shifting economic resources out of an area of lower and into an area of higher productivity and greater yield. Dees and Haas (1998) have ascertained that value is created in a business, when customers are willing to pay more than it costs to produce the goods or services being sold.

Marshall (1962) combines Say and Cantillon’s definition of the entrepreneur, and declares that an entrepreneur has the ability to manage things through other people, in an environment where adventure and risk are inherent. As such, Say recognises the managerial role of the entrepreneur and further argues that the latter has to be a leader and a manager to be able to assume his role of coordinator. Hoselitz (1952) supports Say’s theory by declaring that in addition to being motivated by the expectations of profit he must also have some managerial abilities and more important he must have ability to lead. Mintzberg and Waters (1985) has stressed on the necessity for a strong and decisive leader to be autonomous in order to make decisive and risky decisions.

3.3.3 The innovator

It is the German economist Schumpeter (1934), described as the father of entrepreneurship by Peacock (2000), who has come forward with a slightly different approach, by emphasizing the role of innovation. He puts the human agent at the centre of the process of economic development and assigned a critical role to entrepreneurship in his theory. He views entrepreneurship as a process whereby the entrepreneur carries out “new combinations of production” by introducing new products or processes, identifying new export markets or sources of supply, or creating new forms of organisation. In so doing, he declares that the entrepreneur moves the economy from one equilibrium to another through a period of

[13] This idea was also supported by Mill (1878) and Koolman (1971).
[14] Thompson (1999) has had the same point of view as Say, and declared that the entrepreneur adds value to his products through a transformation process.

disequilibria. Similarly, McClelland (1961) identifies that one of the characteristics of entrepreneurship was ‘doing things in a better way’ which is, in fact, synonymous with the innovative characteristics given by Schumpeter.

In the same vein, Marshall (1961) has also built his model on innovation and describes the entrepreneurs as “the pioneers of new paths”. He proceeds that there are accordingly four elements in the innovation process: (1) the analytical planning – to identify product design, market strategy and financial need, (2) the organising resources- to obtain materials, technology, human resources and capital, (3) the implementation process – to accomplish organisation, product design, manufacturing and services- and lastly, (4) the commercial application – to provide value to customers, reward of employees, revenues for investors and satisfaction for founders. According to Dess and Lumkin (2005), innovations can come in different forms: technological, product-market and administrative innovativeness. While technological innovativeness consists primarily of research and engineering efforts aimed at developing new products and processes, product-market innovativeness includes market research, product design and innovations in advertising and promotion. Lastly, administrative innovativeness refers to novelty in management systems, control techniques and organisational structures.

Harbison’s (1956) definition of entrepreneurship lays more stress on the managerial skills and creativity so far as the organisation is concerned. According to him, entrepreneurship means the skill to build an organisation. His definition as it appears is not different from Schumpeter’s concept of innovation. He maintains that the ability to create an organisation was the most crucial skill, which would facilitate the use of other innovations. He firmly believes that if this skill – i.e., that of “organisation builder”- is absent then the other innovations will fail to stimulate development. It has been argued by Bolton et al., (2004) that the word ‘create’ is used to emphasise the fact that entrepreneurs start from scratch and bring into being something that was not there before. These entrepreneurs see their ideas through to final application and on the way they use their innovative talents to overcome obstacles that will stop most people.

However, the Schumpeterian theory was conceived in Industrial Revolution and as such, it could be argued that the theoretical explanation propounded by the author has been conditioned by the experiences of that period. Likewise, Deshpande (1984) has criticised Schumpeter’s definition on the grounds that the latter's theory has been modelled on big private entrepreneurship, so far as its magnitude of operations are concerned. As such, he concludes that its applicability in the underdeveloped region is doubted.

On the other hand, Herbig, Golden and Dunphy (1994) argue that entrepreneurs themselves do not consciously innovate but seek opportunities. These opportunities are those that larger firms either ignore, seek not to produce, or cannot physically create or manufacture due to bureaucratic tendencies inherent in all large organizations. However, the entrepreneur does not in itself guarantee innovation. It is the willingness to venture out, to be radical and to look for new solutions which larger companies cannot or will not do, that which allows innovation to flourish.

3.3.3.1 Innovation and creativity

The terms creativity and innovation are very often used interchangeably, although each has a unique connotation. According to Thompson (1999), creativity is an essential element in innovation, which is at the heart of entrepreneurship. In its simplest form, creativity is the ability of bringing something new into existence, while innovation is the transformation of such creative ideas into useful applications. Similarly, Fillis (2002) states that creativity is a driver of competitive advantage and that it is found in firms of all sizes, with the greatest impact within the entrepreneurial smaller firm.

However, Amabile et al. (1996) suggest that while creativity may initiate innovation, it may not necessarily be the main motivation or driving force behind it. In fact, Peter (1990) asserts that innovation requires creativity and obsession to see it through.

3.3.3.2 The agent of change

Instead of ascribing the term 'innovator' to the entrepreneur, others have chosen to give it a different name, that of agent of change. One of the earlier definitions of the term entrepreneur is that of an agent of change, who does not seek to perfect or optimize existing ways of doing things but who is in search of new methods and new markets. It is Menger (1871) who has established that the entrepreneur is the change agent who transforms resources into useful goods and services, often creating the circumstances that lead to industrial growth. Audretsch (1995) further supports this argument, by claiming that entrepreneurship is about change, just as entrepreneurs are agents of change. This also corresponds to the definition of entrepreneurship proposed by the OECD (1998) that stipulates entrepreneurs are agents of change and growth in a market economy who act to accelerate the generation, dissemination and application of innovative ideas. In a similar vein, Kuratko and Hodgetts (1995) argue that the modern entrepreneur is the aggressive catalyst for change in the world of business.

3.3.4 The opportunist

Management theorists have also presented a wide range of theories on entrepreneurship, with many of the leading thinkers subscribing to the Say-Schumpeter tradition while offering variations on the theme. Drucker, for instance, adopted and amplified Say's definition by focusing on the notion of opportunity. In fact, he does not require the entrepreneur to cause change but to exploit the opportunities that the change has created. According to Bolton et al, (2004) these entrepreneurs see something others miss or only see in retrospect; they translate what is possible into reality, says Kao (1989). In a similar vein, Kets de Vries (1997) accordingly declares that entrepreneurs transform simple, ill-defined ideas into things that work. As Cox (2002) puts it, an entrepreneur sees an opportunity, figures out a way to acquire the needed resources, and acts to turn the opportunity into a reward.

In fact, it is common belief that entrepreneurs have their own ways of dealing with the opportunities, setback and uncertainties to creatively create new products, new services, new organisations and new ways of satisfying customers or doing business. Dees et.al., (1998) establish that an opportunity, here, means an opportunity to create value by shifting resources to areas of higher yield as purported by Say (1828).[15] Stevenson (1983, 1985, 1990) adds an additional element to this *opportunity-oriented* definition by stipulating that entrepreneurial management deals with *"the pursuit of opportunity without regard to resources currently controlled"*. According to the author, this definition encompasses both the individual and the society in which the individual is embedded. He believes that the individual identifies an opportunity to be pursued and that his role as an entrepreneur is to seek the resources from the broader society.

[15] In the same vein, Smith (1776) said that the entrepreneur reacted to economic change and hence was an economic agent that was transforming demand into supply. He further declares that even with selfish buyers and customers, who are only interested in their own well-being they can strike acceptable bargains through a decentralised market system, which will tend to equilibrium.

Kirzner (1997), on the other hand, associates the entrepreneur with profit opportunities. He supports that the entrepreneur, he exploits information asymmetries in markets that are by their very nature in disequilibria[16]. However, Loasby (1982) identifies a major weakness in Kirzner's model; he declares that entrepreneurship will be self-exhausting in the sense that the consequences of commercial adventures based on apparent knowledge differences will serve ultimately to eliminate such differences.

Hindle and Rushworth (2002) also agree that entrepreneurship is driven by opportunity, they however highlighted that there is a general misconception that opportunity is mainly derived from technology development. They state that it is a serious mistake to focus policy support exclusively on technology opportunities to the detriment of other sources of opportunity. In this end, the theorists propose Mitchell's (2000) Opportunity Source Matrix, which encompassed four sources of opportunity derived from the combination of two 'axes' – discovery source and market imperfection.[17]

3.3. 5 The networker

Entrepreneurship is a relational task, and is inherently a networking activity (Dubini and Aldrich, 1991). According to Nohria (1992), the network concept is not new, dating back to the 1930's in organizational research and at least the 1950s in anthropology and sociology. However, it is only during the last 15 years that entrepreneurship scholars have applied networking theory.

Essentially, because entrepreneurs are constrained by resource limitations, especially finance, they use their creativity, social networking and bargaining to obtain favours, deals and actions. Gibbs (1998) has laid down that entrepreneurs know 'where' to find resources and 'how' to control their business but most importantly they know '*who'* because they are quick to build up networks of people that they know can help them. In fact, it is known that the small entrepreneur rarely has the time and financial resources to buy market research reports or to seek the help of business advices; he often relies on his personal contact networks to gain market information. The way he proceeds to get market information is principally via the conversations he has with

[16] It is to be noted that Kirzner's view of the market is the antithesis of Smith (1776).
[17] The discovery source may be 'science' (read technology) or 'circumstance', while market imperfection may be 'excess demand' or 'excess supply' - both indicates an imbalance and provides an opportunity.

the people he meets with, on a regular basis while running his business. It is believed[18] that these conversations represent the market scanning which the entrepreneur does and uses to keep him informed of the changes and conditions in the market in which he operates. Hill and McGowan (1997) further view the information gleaned from these contacts, as trustworthy, reliable and that can be acted upon.

The concept of networking has enjoyed various definitions in the literature. Yanagida (1992) states that networks have the breadth and depth to accommodate all things, and the more we come to know them, the more strange and wondrous they seem. This in many respects encapsulates the myriad aspects of network definition. Indeed, defining a network is a predominant theme of the network literature. In this research Hill and McGowan (1996) define a personal contact network as the relationships or alliances which individuals develop or, indeed, may seek to develop between themselves and others in their society (see also Dubini and Aldrich, 1991; Aldrich and Zimmer, 1986; Johannisson, 1986).

On the other hand, Carson et al. (1995) describe networking in a small firm context as an activity whereby entrepreneurially oriented owners build and manage personal relationships with particular individuals in their surroundings. Moreover, Iacobucci (1996) considers that networking is the initiation and sustenance of interpersonal connections for the rather Machiavellian purpose of tapping those relationships later for commercial gain. This is corroborated by Aldrich and Zimmer (1986) who stipulate that networking can be deliberate. By contrast, Curran et al. (1993) claim that the networking in which small business owners are engaged is much more limited and less proactive than is generally conceived. The findings of McGowan and Rocks (1995) give credit to Curran et al. (1993), since they reveal that small firm owners operationalise their networks in a subconscious manner and so they conclude that their networking is largely unstructured and coincidental in nature.

There has been considerable disagreement on the level of networking in which small firm owner-managers engage. Indeed, Birley, Cromie and Myers (1991) have reasoned that business owners need a more extensive range of networks than their employed counterparts meaning that more time will be spent in building relationships. However, Curran et al. (1993) advocate that due to

[18] See Collinson and Shaw (2001).

the time constraints to which small firm owners are subject, it is impossible for them to engage in extensive networks. There is also the widespread belief that owner-managers are strongly independent; they have a ‘fortress enterprise’ mentality in dealing with the wider environment, which results in a low participation in networking activities of all kinds. MacMillan et al. (1989) have similarly claimed that involvement in networking is ‘antithetical’ to owner-manager cultures. Devine (1989) and Burns and Dewhurst (1996) have remained true to this logic because they think that the psychological characteristics of people starting up their own-business, exclude any participation in networking.

Yet, others have questioned this fortress mentality theory, for example, a study carried out by Bruederl and Preisendoerfer (1998), based on a sample of 1700 new businesses in Germany, supports the hypothesis that networking facilitates the growth and survival of new enterprises. Additionally, Dollinger (1985) advocate that the popular image of the entrepreneur as an isolated figure, who triumphs over obstacles and fends off dangers all alone is incomplete. In the same vein, McClelland, Swail, Bell and Ibbotson (2005) have revealed that Canadian and Singaporean women use a series of networks to develop contacts in new markets and capture international sales, while their Irish counterparts use networks as a support mechanism where they can gain knowledge and advice from fellow business owners.

Previous studies (Coviello and Munro, 1995) have indicated that SMEs tend to use networks informally. Hill and McGowan (1996) addressed this aspect and advocated the need to create a competency in networking capability in SMEs. This study however provides an interesting insight in that it indicates that SMEs actually see serious value in their formal networks. A clear conclusion from the data was that formal networks are deemed a necessity. They are the *de facto* operating system of the firm. In spite of their entrepreneurial character and the literature assertions as to their proclivity towards informality the SMEs displayed significant maturity in their implicit and explicit appreciation of the value of such entities. They attempted to manage their networks to gain business advantage through better quality information for example, and to gain a better understanding of customer needs and wants, increased awareness of changes in the supply channel and a greater understanding of competitor activity.

Hill’s (2001) research however threw up a strange paradox in respect of the value of the SMEs’ formal networks. There was a definite desire on behalf of the research companies not only to actively engage their formal network but to informalise such networks. The efforts of the companies in this research were firmly focused on moving contacts as speedily as possible along a continuum from formal to informal. In this sense there is evidence to indicate that engaging in personal contact networking (PCN) overlaps considerably with aspects of relationship marketing and the competency cluster of relational communication.[19] It therefore represents many of the characteristics associated with effective personal selling. The important distinction though is that within the companies in this study there is both an implicit and explicit appreciation of the value of the networks that exist. The data suggests that informal networks have an important influence on the decision-making processes of the SME.

3.3.6 Entrepreneurs put the customer first

The market for any new enterprise is always a difficult place, and it is amazing how entrepreneurs thrive on such uncertainty to make a success of a product or a market sector. They listen to the customers; they are as quick to find out why they have won a sale and as to why they have lost one. They are also able and willing to respond to what the customer is telling them and develop products and services to fit those needs (Veale, 1998)[20].

3.3.7 Proactiveness and Aggressive Competitiveness

Certain areas of the literature, though scanty, have equated competitive aggressiveness with proactivenesss. For example, Covin and Slevin (1989, 1991), Knight (1997) and Kreiser, Marino and Weaver (2002a) have advocated that proactive firms are those that compete aggressively with others. However, Lumpkin and Dess (1997) think otherwise because they put forward that proactiveness and competitiveness are distinct concepts with unique definitions. They further suggest that proactiveness is a response to opportunities, that is, how firms relate to market opportunities by seizing initiative and leading in the marketplace. In contrast, competitive aggressiveness is the response to threats, that is, it refers to how firms react to competitive trends and demands that already exist in the market place.

The same authors argue that proactiveness suggest a forward-looking perspective characteristic of a marketplace leader that has the foresight to act in anticipation of future demand. This is in

[19] See section 2.2.3 –Approaches to Small firm marketing.
[20] The successful entrepreneur, Michael Dell, who has been ranked number one in customer satisfaction surveys, states that this is the result of focusing on customers and living on the motto “the customer is always right”.

line with Miller and Friensen's (1978) who view proactiveness as shaping the environment by introducing new products and technologies, and with Venkatranam's (1989) definition of proactiveness as seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead competition, strategically eliminating operations which are in the mature or declining stages of life cycle. As a result, Jun, Deschoolmeester and Leuven add that proactiveness is not only in defence, but in offence as well. It is further believed[21] that the combination of proactiveness with innovativeness and risk-taking is more likely to enable a firm to compete in a dynamic environment.

Miller (1987) sees proactiveness as a facet of assertiveness, which he in turn views as a dimension of strategy making. Following the work of Mintzberg (1983), he characterizes entrepreneurial firms as taking on bold risks, and acting upon rather than reacting to their environments. His short scale to operationalize proactiveness includes three items, assessing the following (or not) of competitors in innovation; favouring the tried and true versus growth, innovation and development; and, trying to co-operate with competitors versus trying to undo them. Proactiveness is also concerned with implementation, doing whatever is necessary to bring an entrepreneurial concept to fruition. It usually involves considerable perseverance, adaptability and a willingness to assume some responsibility for failure.

Competitive aggressiveness, on the other hand, relates to the intensity of a firm's efforts to outperform industry rivals. It is thought to be characterised by a strong offensive posture directed at overcoming competitors and may be quite reactive as when a firm aggressively enters a market that a rival has identified. Venkatraman (1987) and MacMillan and Day (1987) state that this is accomplished by, for example, setting ambitious market share goals and taking bold steps to achieve them such as cutting prices and sacrificing profitability, or spending aggressively compared to competitors on marketing, product service and quality, or manufacturing capacity.

3.3.8 Flexibility

Thompson (1999) declares establishes that larger organizations that are increasingly becoming knowledge-based shall let information flow freely in the firm to support sharing and learning.

[21] Dess, Lumkin and Covin (1997), Miller and Friesen (1984) and Morris and Paul (1987).

Drucker (1986) highlights that entrepreneurs have to be adaptive and change oriented because they are small and flexible and must react to and anticipate changes in their environment.

3.3.9 The need to achieve and the locus of control

The theories most commonly applied in the entrepreneurship arena are McClelland's (1961) theory of the need to achieve, and Rotter's (1966) locus of control theory. McClelland's theory stipulates that individuals that possess a high need to achievement are among those who typically seek for competitive situations to achieve results through their own efforts and receive quick feedback on their progress. The theorist also suggests that individuals with a strong need to achieve often find their way to entrepreneurship and succeed better than others as entrepreneurs. Furthermore, McClelland's description of the individual with a high need for achievement [nAch, hereafter] is quite similar with the entrepreneur's characteristics. For example, the high-nAch individuals just like the entrepreneur, pursue moderately difficult goals and take calculated risks; contrary to common belief the former usually avoid extremely difficult goals because of risk of failure. Furthermore, since they like problems requiring innovative and novel solutions, such high achievers are a valuable source of creativity and innovation for the organization.

Veale (undated) advocates that the critical factor that differentiates the successful entrepreneurs from the non-successful ones is control. He establishes that entrepreneurs understand the importance of setting a plan, executing it and following through with changes on the plan rather than starting another project. Osborne (1995) further supports Veale, by reporting that the start-up entrepreneurs that create a comprehensive marketing and financial plan, increase the probability of venture success. However, this can be contrasted with Covey (1989) who argues that business entrepreneurs hate structure and bureaucracy; for them getting closer to the customer means having layers of reporting, allowing them to react to customers' needs faster.

Locus of control refers to the perceived control over the events in one's life (Rotter, 1966). People with internal locus of control believe that they are able to control what happens in their lives. On the other hand, people with external locus of control tend to believe that most of the events in their lives result from being lucky, being at the right place at the right time, and the behaviors of powerful individuals. People's beliefs in personal control over their lives influence their perception of important events, their attitude towards life, and their work behaviors. In a student sample, internal locus of control was associated with a desire to become an entrepreneur (Bonnett & Furnham, 1991). Internal locus of control of the founders is associated with company performance (Boone, DeBrabander & Van Witteloostujin, 1996; Nwachukwu, 1995). The impact of locus of control on company performance may stem from a relationship between locus of control and entrepreneurial orientation.

Locus of control may be related to proactiveness. When the individuals believe that they can improve their lives by performing certain actions, they may be more willing to think about the future and act proactively. Research indicates that people with higher degrees of internal locus of control tend to monitor the environment to obtain information (Van Zuuren & Wolfs, 1991). Such a tendency may be the result of a desire to act on the environment. Internal locus of control may also be related to risk-taking orientation. Research shows that internals tend to estimate probability of failure as lower and decide in favor of risky options (Hendrickx, Vlek & Calje, 1992). As an example, internals are found to plan for expansion of their businesses even when unemployment rates are high (Ward, 1993). These results show that firms in which founders have higher internal locus of control may be more risk taking. There is also reason to expect a positive relationship between locus of control, innovativeness and competitive aggressiveness. To the extent that individuals feel that being competitively aggressive or being innovative are ways of exerting control over the environment, one can expect a positive relationship between these variables.

3.4 Entrepreneurship: individual or team-based?

It is thought that the idea of entrepreneurship may not be so much a trait-based, but a construct that is shared amongst a group. For instance, Young (1971) accepts the Schumpeterian definition of entrepreneur as that of an innovator but not at the individual level. According to him, instead of individuals, entrepreneurship is a function of a group level pattern. He believes that the entrepreneurial activity is generated by particular family backgrounds, experiences, as a member of a certain kind of groups and a reflection of general cultural values. Furthermore, Gartner, Shaver, Gatewood and Katz (1994) reviewed six major papers in entrepreneurship and identified a meta-theme that entrepreneurial activity resides in a group. Vyakarnam and Handelberg (1997) also review the literature on entrepreneurial teams, suggesting that any entrepreneurial venture involves a team of individuals, not just one entrepreneur, and that it is the nature of the team, not just of the individual, that is important. Audrestch (2002) has gone a step further and argues that entrepreneurship refers to change induced by the activities of individuals, groups of individuals which can comprise of networks, lines of business, firms, and even entire industries, or even for geographic units of observation, such as agglomerations, clusters, and regions.

3.5 Entrepreneurship and the small firm

Much of the literature, which is concerned with SMEs, is inextricably linked to the entrepreneurship dimensions (Geursen, 1995). According to Hill (2001), any understanding of small to medium-sized enterprises cannot conceivably be divorced from consideration of the entrepreneurial dimensions. In many cases, the terms “small firm owner-manager” and “entrepreneur” are used interchangeably[22] but of late, there has been some effort amongst researchers to draw distinctions between the two (Fulop, 1991).

Beavers and Jennings (2005) have precisely pointed out that small business research often falls short in making the explicit distinction between entrepreneurial behaviour and the behaviour of small business owner-mangers. In a similar vein, Galloway and Wilson (2003) have highlighted that many small business owners, particularly those who are self-employed, sole traders and micro business owners cannot be considered themselves to be ‘entrepreneurs’. A small business venture is perceived as any business that is independently owned and operated, which is not dominant in its field and which does not engage in any new marketing or innovative practices. An entrepreneurial venture, according to Beavers et al., (2005) is one that engages in at least one of the Schumpeter’s (1934) categories of behaviour. Stanworth and Curran (1976), on the other hand, consider the entrepreneur as one of the three types of small business activists that exist, the other two being, the artisan and the manager.

Furthermore, Sarri and Trihopoulou (2005) bring the distinction a step further by arguing that the entrepreneurs are concerned with profit maximisation, growth and innovative behaviour, and

[22] Collinson and Shaw (2001) give two reasons as to why entrepreneurship is often associated with small and medium enterprises. Firstly, they establish that this phenomenon is more visible in the smaller firm and secondly, they view that when firm experiences growth it can be difficult to maintain an entrepreneurial focus in a multi-layered management structure.

concentrate on opportunities rather than resources, while small business owners are associated with the furthering of personal goals, partaking in a business that occupies the bulk of their time and resources, and having a business linked with family needs and desires. Moreover, there is an argument that the relative attractiveness of self-employment and setting up small businesses increases as it becomes more difficult for the unemployed to find work (Mayes and Moir, 1990). In consequence, it has been pointed out by Hogart-Scott, Watson and Wilson (1996) that the growth of small businesses may appear to do with the labour market than any flowering of entrepreneurial spirit

Hence, SMEs may or may not be entrepreneurial, whereas entrepreneurial businesses may be SMEs or large corporations. Bridge (1980) stipulates that the degree of entrepreneurial sprit in an SME is largely determined by the intentions of the owners and has grouped these intentions into three categories.

Life-style	• Often run by an individual • Facilitates and is part of the life-style the individual wants to have • Frequently found in arts or crafts, where the owner lives to practice the craft rather than practices the craft in order to live • Basis of business is more important than the level of return it can provide.
Comfort Zone	• Provides the owner with sufficient level of returns for the level of comfort he wants in life • Level of benefit the business can provide in return for a reasonable amount of effort is more important than the basis of business
Growth	• Owners wish to manage the business to maximise its earning potential, especially for the future

Table 3.1 shows the groups of SMEs according to owners' intentions as per Bridge (1980)

Consequently, those owners that have growth intentions for their businesses are more likely to develop entrepreneurial behaviour, which is characterised by the ability to create and sustain competitiveness through innovation.

- **Entrepreneurship and start-ups**

Others, such as Mitchell (1995), have attributed entrepreneurship to business start-ups. Flamholtz (1986) argues that there is a need to sustain progression from that phase if the firm is to survive and prosper. Storey (1994) establishes that existing SMEs offer the best scope for innovation and sustained employment

However, even if it reasonable to say that the start-up phase in a firm's life cycle is generally entrepreneurial, Galloway and Wilson (2003) and Beaver and Jennings (2005), heavily stressed that not all business start-up is the result of entrepreneurship. Indeed, just as every successful company cannot be defined as entrepreneurial; neither can every set up business, particularly those which were set up as a result of an erratic employment market (Campbell, 1992), or a desire for a personally defined lifestyle.

3.6 Entrepreneurship across developed and developing countries

Many theorists have discussed at great length on the traits and behaviours that are associated with the entrepreneur; for example, some have been described as a risk bearer while others have pointed out that he is the promoter of innovation. However, none of these theorists have made the distinction between entrepreneurs operating in different business environments or considered differences between entrepreneurship in wealthy and poor countries at various stages in economic history. As a matter of fact, entrepreneurship in emerging markets is distinctive from that practiced in more developed countries (Lingelbach, De La Vina and Asel, undated) and understanding these distinctions is essential to private sector development in developing countries.

Empirical evidence from the GEM[23] 2002 Executive Report has indeed demonstrated that entrepreneurship is not uniformly distributed across the world. Herbig, Golden and Dunphy (1994) also stipulate that entrepreneurs exist in all countries and in all cultures but they are more prevalent in some countries, among members of certain cultures, than in others.

In a similar vein, its 2003 project has focused on identifying the factors associated with the variations in national entrepreneurial activity between poor and wealthy countries. In this report GEM makes a distinction between entrepreneurs who are driven primarily by the desire to take advantage of a business opportunity, and entrepreneurs who are driven primarily by a lack of better choices for work. Lingelbach et al. (undated) have established that because emerging markets lack the stability and consistency of mature markets, the opportunity for entrepreneurship in these markets is a pervasive one. However, while the competitive threat to these entrepreneurs is reduced, the risks posed by economic, political and regulatory uncertainty

[23] GEM stands for the Global Entrepreneurship Monitor.

is heightened. So in order to mitigate systematic risk, the entrepreneur operates in segmented markets – a feature of many developing countries.

While entrepreneurial opportunities are broader, limited personal and family savings and an absence of financial innovation severely limit the growth prospects of promising start-ups in developing countries. Leeds and Sunderland (2003) have come forward with an explanation as to why outside, formal sources of financing required by growth-oriented entrepreneurs in developing countries, often fail to materialize in substantial quantities. They argue that the macroeconomics conditions in many emerging markets militate against the high IRRs that investors require in order to compensate them for their risk. Moreover, it has also been estimated that the realised IRRs in these countries hardly attain the breakeven rate for the first generation of such funds.

Likewise Bygrave (2003) has declared that entrepreneurs in emerging markets rely very heavily – between 87% and 100% - on informal sources of finance to start their businesses. This is supported by recent evidence from Bhidé (2004) and Johnston, Magil, McPherson and Northrip (2004) suggesting that start-up capital requirements can be quite modest in developing countries. Once these new firms are established, they use a variety of unconventional techniques and strategies to obtain finance. For example, Tsai (2002) postulates that small-scale Chinese entrepreneurs have designed a wide variety of techniques and institutions to provide informal finance.

High potential businesses in developed economies assemble executive teams with common experiences but diverse, complementary skills. Potential stakeholders look for thoughtfully selected, complete teams that include experienced executives in sales, marketing, finance and operations. In emerging markets, these skills are equally valid but often in short supply. As a result, entrepreneurs look for other characteristics that are pertinent to the local market environment. Trust is even more highly regarded in these situations than in developed markets where arms-length transactions are well established. Family owned and operated businesses are even more common in emerging markets than in Western economies.

3.7 Types of entrepreneurship

3.7.1 Corporate entrepreneurship

Despite the growing interest in corporate entrepreneurship, there appears to be no consensus as to what it actually constitutes. Authors use many terms to refer to different aspects of corporate entrepreneurship: intrapreneurship, internal corporate entrepreneurship, corporate ventures, venture management, new ventures and internal corporate venturing. Some researchers[24] view corporate entrepreneurship as a concept that is limited to new venture creation within existing organisations. Others[25] argue that the concept of corporate entrepreneurship should encompass the struggle of large firms to renew themselves by carrying out new combinations of resources that alter the relationships between them and their environments. According to Zahra (1991) corporate entrepreneurship refers to the process of creating new business within established firms to improve organisational profitability. In the same vein, Kuratko et al. (1993) describe corporate entrepreneurship as the ability to stimulate the attributes of the smaller entrepreneurial firm in the larger, more mature organisations. Morris, Lewis and Sexton (1994) stipulate that CE is not about venture groups or new products, but about infusing creative strategic processes throughout the organisation.

Ferreira (2002) segregates corporate entrepreneurship into internally and externally oriented activities. The author describes internal entrepreneurship activities as the development within a large organisation of internal markets and relatively small and independent units designed to create internal test markets or expand improved or innovative staff services, technologies, or production methods within the organisation. These activities may cover product, process and administrative innovations at various levels of the firm[26]. Gautam and Verma (1997) view external entrepreneurship as the process of combining dispersed resources in the environment by individual entrepreneurs with his own unique resources to create a new resource combination independent of all others. These external efforts, for instance, involve mergers, joint ventures, corporate venture, venture nurturing, venture spin-off.

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[24] Among them, Burgelman(1984).
[25] Baumol (1986); Burgelman (1983).
[26] Zahra (1991).

According to Sharma and Chrisman (1999), corporate entrepreneurship may also take a variety of forms. For instance, Vesper (1984) discusses new strategic directions, initiatives from below and autonomous business creation. In a similar vein, Guth and Ginsburg (1990) distinguish between new venture creation within existing organisations and the transformation of organisations through strategic renewal. The most widely-cited perspective according to Schindehutte, Morris and Kuratko (2000) is that of Schollhammer (1982) who identifies five major types of corporate entrepreneurship: administrative (traditional research-based innovation), opportunistic (exploitation of newly identified opportunities by a champion), acquisitive (acquiring other companies), incubative (creation of semi-autonomous units), and imitative (replication of achievements of achievements of some other firm.

- **Intrapreneurship**

The concept of intrapreneurship is based on the idea that the term entrepreneur is reserved for someone who starts up and runs his own business company. A key difference between an intrapreneur and an entrepreneur is that the intrapreneur often does not own the company concerned but instead works for the company as an employee. In its simplest form, intrapreneurship is entrepreneurship practiced by people within established organisations. Bolton et al., (2004) argue that these people prefer to stay employed, rather than start out on their own. The entrepreneur assumes the full financial risk of the business while the intrapreneur does not have a personal financial investment. An intrapreneur is, thus, someone who takes risks, leads or makes a major contribution to innovations for quality or process improvement within existing companies. Carrier (1994) brings precision to the term innovation here and stipulates that it means the introduction of a change leading to an increase in the firm's competitiveness.

3.7.2 Social entrepreneurship

Some authors[27] believe that entrepreneurial activity occurs in both small and large businesses but also outside the business world. A social entrepreneur identifies and solves social problems on a large scale. Just as business entrepreneurs create and transform whole industries, social entrepreneurs act as the change agents for society, seizing opportunities others miss in order to improve systems, invent and disseminate new approaches and advance sustainable solutions that create social value. According to Ashoka, an organization which promotes social change, social

[27] This has been established by Lessem (1986), Stevenson and Gumpert (1991), Low (2001) and Davidsson (2004)

entrepreneurs are people who open up major new possibilities in education, health, the environment, and other areas of human need, "just as business entrepreneurs lead innovation in commerce, social entrepreneurs drive social change". Unlike traditional business entrepreneurs, social entrepreneurs primarily seek to generate "social value" rather than profits. In addition, unlike the majority of non-profit organizations, their work is targeted not only towards immediate, small-scale effects, but sweeping, long-term change.

3.7.3 International entrepreneurship

The meaning of the term international entrepreneurship has evolved over the last decade during which academic interest in the topic has grown. The term originates from a stream of research that suggests that some new ventures are “born global” and therefore differ significantly from businesses that have become international over time as they accumulate resources and competencies. However in the 1990s, the pressure of events has been such that the definition has been broadened and as a result more refined. For instance, Wright and Ricks (1994) declare that it is firm-level business activity that crosses national borders and it focuses on the relation between businesses and the international environments in which they operate. The definition thus includes business activity that crosses national borders as well as comparisons of domestic business activity in multiple countries, but it excludes non-profit and governmental organisations’ international activities.

3.7.4 Female entrepreneurship

The importance of female entrepreneurship and its contribution to the economy[28] has been on the increase, and therefore a great deal of research into female business owners has concentrated on what motives them to start up business operations. According to Davidson and Burke (2004), firms, owned by women entrepreneurs, are a growing phenomenon around the world today. Similarly, Delaney (undated) establishes that the explosion of women-owned businesses is one of the two most significant business developments in the global economy of the 21st century; the other being international trade.

[28] A study carried out by the National Women’s Council Interagency Committee in 2000, has affirmed the fact that countries that have high levels of economic activity and the highest start-up business rates are the ones where women are well-engaged in entrepreneurial activity.

Mirchandani (1999) summarises that some studies have found little differences between men and women entrepreneurs in terms of motivation, departure point or personality. Likewise, authors like Goffee and Scase (1983a) and Schreier (1975) posit that women start businesses for the same reasons as their male counterparts, namely because of a product or service idea that may create a commercial opportunity, financial independence, to use a skill or talent and for the independence of being their boss.

Cromie's (1987) findings have indicated that men and women do differ in terms of the emphasis they attach to particular motives. In fact the latter has found that the female respondents in his sample have been more dissatisfied with their previous work experiences and they tend to view self-employment as a means of catering for conflicting personal and work demands. Additionally, Still and Timms (2000a, b) state that women start their business to make a difference, which means being more client-focused than men, ethical in operations and making a social contribution in addition to pursuing economic motives.

McClelland et al. (2005) have paid particular attention to the issues and challenges faced by women entrepreneurs across counties. They have found that there exists thread of commonality between female entrepreneurs in the different countries under study. However, since the theories on women entrepreneurs have emerged primarily from research in developed countries, it is important to examine the extent to which these apply in the context of developing ones. However, whilst these studies provide valuable descriptions of this entrepreneurial group, Carter (2000a,b) has noted that female entrepreneurs are not a homogeneous group. Hisrich and Öztürk's (1999) results indicate that while women entrepreneurs in Turkey, demonstrate many similarities with their counterparts in other countries, they differ in other aspects such as in their reasons and motivation for starting a venture and problems encountered. For example, they establish that a high percentage of Turkish women entrepreneurs show that 'being bored by being a housewife' is a primary reason for starting their venture.

A number of studies over the decades have attempted to develop typologies and profiles of the ‘typical’ female entrepreneur[29], by studying her background, education and previous experience. In reference to education, Watkins and Watkins (1984) and Hisrich and Brush (1983) have advocated that women have pursued tertiary education in liberal arts as opposed to business, engineering or technical subjects. Similarly, the literature highlights the predominance of women in the “traditional sectors”[30]- i.e., the service and the retail sector-, teaching, office administration or secretarial areas rather that executive managerial, scientific or technical positions. This may explain why most women entrepreneurs lack many of the basic commercial associated with prior managerial employment.

3.8 Determinants of successful entrepreneurs

Brockhaus (1982) suggests that an internal locus of control, even if it fails to differentiate between entrepreneurs, may serve to distinguish the *successful* entrepreneur *from* the *unsuccessful* one. If success is measured in relation to the fulfillment of the goals and objectives of a particular entrepreneur, a self-employed can also be classified as successful if his business generates continuously a satisfactory (in relation to their goals) standard of living. On the other hand, high-growth ventures may be considered unsuccessful if they are not able to offer high enough return on investment to their investors.

Osborne (1995) has stressed the importance of strategy in the entrepreneurial firm. He argues that the essence of entrepreneurial success is based on strategies that link the company to its environment. Osborne’s argument concord with the Ernst & Young Entrepreneurs’ Barometer (2004) which reveals that 46% of successful entrepreneurs nominated effective strategy as the key factor for their business’s success. Furthermore, Covin’s (1991) study has suggested that strategic entrepreneurial firms differ from non-entrepreneurial ones in terms of their growth rates as well as several financial, operating, and marketing related variables.

[29] Hisrich and Brush (1986), Goffee and Scase (1985), Belcourt et al., (1991)
[30] Charboneau (1981), Hisrich (1989), Hisrich and Brush (1984), Hisrich and O’Brien (1981, 1982), Humphreys and McClung (1981), Sexton and Smilor (1986) and Welsh (1988).

Chapter 4

Literature Review – Marketing

4.0 Introduction

Marketing is a vital and indispensable business activity for all types of organizations that create and offer products of value for consumers, business customers, intermediaries, suppliers, and other publics. The marketing literature can be traced back to Smith (1776) who writes that the needs of producers have to be considered only with regard to meeting the needs of consumers. While this philosophy has been consistent with the needs of consumers, it has only been widely adopted nearly 200 years later. Even if it is Drucker (1954) who has introduced the notion of marketing, describing it as the unique function of the business, which is the whole business seen from the customer's point of view, it is however Levitt's (1960) notion of marketing myopia, which has captured the very essence of the present day marketing concept. This chapter gives a review of the existing literature in the field of Marketing. The emphasis is on marketing strategy, marketing mix and marketing implementation in the context of SMEs.

4.1 Part 1: The marketing definition

The Chartered Institute of Marketing has defined marketing as the management process responsible for identifying, anticipating and satisfying customers' requirements profitably. In a similar vein, the American Marketing Association (2004) describes marketing as an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.[31] Moreover Raymond and Barksdale (1989) purport that the marketing concept provides a single prescription for running a business successfully which is the recognition and acceptance that the consumer is the focal point for all business activities, and that knowledge of customers' needs and wants have to be the starting point for all major business decisions.

[31] It is to be noted that the American Marketing Association (2004) has adopted a new marketing definition due to the evolution of business, which has significantly changed.

This applied management emphasis is echoed in McGee and Spiro's (1988) work, which states the marketing concept involves the specific techniques by which one seeks to identify and satisfy consumer needs. A more recent and very realistic definition that looks at matching capabilities with needs is that of Palmer (2000) which states that marketing is essentially about marshalling the resources of an organization so that they meet the changing needs of the customer on whom the organization depends.

The notion of an exchange relationship has also been found to be central to understanding the foundation of the marketing concept. A similar viewpoint has been expressed by Kotler (1991) who has described the marketing concept as, a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others. Likewise, Houston (1986) declares that the marketing concept states that an entity achieves its own exchange determined goals most efficiently through a thorough understanding of potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and then designing, producing, and offering products in light of this understanding.

Berkowitz et al. (1994) have combined the definition of marketing as a process, the focus on customers and the concept of exchange and have identified marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create *exchanges* that satisfy individual and organizational objectives. Bartles (1985) has provided a definition that combines the economic and social aspects of marketing. Marketing is the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who, interacting under constraints - technical (economic) and ethical (social) - create the transactions or flows which resolve market separations and result in exchange and consumption.

Other authors have chosen to explain the concept of marketing by breaking it down into different constructs. For instance, Kohli and Jaworski (1990) and Webster (1992) declare that traditional marketing consists of four distinct elements: marketing as an organizational philosophy or culture, marketing as a strategy, the marketing mix and the market intelligence[32].

The importance of a firm′s marketing culture has received considerable interest in the past few years from both researchers and practitioners (see Parasuraman, 1986; Schneider and Bowen, 1985). The marketing culture is that component of a firm′s overall culture that refers to the pattern of shared values and beliefs that help employees understand and "feel" the marketing function and thereby provides them with norms for behavior in the firm. It refers to the importance the firm as a whole places on marketing and to the way in which marketing activities are executed in the firm.

More recently, marketing culture has been defined as a multifaceted construct that encompasses the importance placed on service quality, interpersonal relationships, the selling task, organization, internal communications, and innovativeness (Webster, 1993). For example, a type of marketing culture is one that stresses professionalism among employees from top management to operational positions. Employees, as well as customers, should be able to detect or "feel" such a culture both directly and indirectly (e.g. by observing the apparent importance placed on punctuality, professional dress and conduct, organization, etc.). Another type of marketing culture is one that concentrates on implementing the most recent innovations relevant to that particular industry. Yet, another might focus on the continuous monitoring and improving of the quality of established practices. In other words, market culture can stem from any combination of differential weights placed on these various dimensions.

This in line with Baker (1985a) and Assael (1985) who acknowledge the importance of marketing to business success and rightly argue that it has to be considered as a business philosophy, not just an essential ingredient in strategic planning as propounded by the American Marketing Association (1938).

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[32] It is to be noted that marketing as a strategy, marketing as tactics and the concept of market intelligence will be discussed in Section 3.6, 3.7 and 3.2 respectively.

Secondly, *marketing as a strategy* defines how an organisation is to compete and survive in the marketplace. Thirdly, *the marketing mix* refers to the specific activities and techniques, such as product development, pricing, advertising and selection of distribution channels, which implement the strategy (commonly summarised as the 4Ps, or 7Ps in services marketing). Lastly, *market intelligence* underpins each of these marketing principles. Thus marketing can be defined in terms of the organisational philosophy of market orientation, guided by segmentation, targeting and positioning strategies, operationalised through the marketing mix and underpinned throughout by market intelligence.

Even though many of the above mentioned readings provide conceptually pure, well-grounded definitions of the marketing concept, Baker (1987) argues that they have been heavily criticized for their abstraction and limited practical value. Indeed, this has been suggested as the basis for many misinterpretations of marketing in organizations (King, 1985) and has initiated some of the criticism surrounding the marketing concept. In summary, despite the multiplicity of definitions for the marketing concept, it is clearly something, which concerns the relationship between producers and consumers (Foxall, 1989 and Baker, 1983).

However, Simkin (2000) argues in his paper that even if there are numerous definitions concerning the marketing concept there are, however, common themes in most explanations of marketing. The author enumerates the most important themes and they are namely: the ability to satisfy customers; the exchange of product or service for payment or donation; the need to create an edge over competitors; the identification of favourable marketing opportunities; profits or financial surpluses to enable a viable future for the organisation; that resources are utilised shrewdly to maximise a business's market position; and the aim to increase market share in priority target markets.

4.1.1 The marketing management philosophies

Interestingly, the way marketing has evolved as a discipline has a long history, dating back to the late nineteenth century (Carson, Cromie, McGowan and Hill, 1995). There are a number of different philosophies that guide a marketing effort. It has been argued by many management writers that the implementation of the marketing concept in organizations requires the maintenance of a particular managerial philosophy or orientation (Levitt, 1960; Drucker, 1973; Bonoma, 1985; Masiello, 1988). Nevertheless, most organizations exhibit a host of conflicting philosophies, which provide problems for the implementation of such a concept. The next five styles of business philosophies are the most common and they comprise of: the production, product, selling, marketing and societal marketing concepts.

I. Production orientation

The production concept holds that consumers will favour products that are available and highly affordable. Therefore, management focuses on improving production and distribution efficiency. As such, the production-oriented organization's primary concern is to maintain a constant and uninterrupted flow of materials and product through the production process. The firm is much more concerned with what it makes than what the market wants.

Kotler and Armstrong (1996) note that the production concept is still a useful philosophy in two types of situations. The first one occurs when the demand for a product exceeds the supply. This viewpoint has been encapsulated in Say's (1803) Law, which states that supply creates its own demand. Say argues that a product is no sooner created, than it, from that instant, affords a market for other products to the full extent of its own value. To put it another way, if a product is made, somebody will want to buy it. Henry Ford made a famous statement when he produced his first production line Model 'T' Ford: 'You can have any colour you like, as long as it is black'. This is certainly a production-orientated statement and during this period, firms concentrated on improving production efficiency in an attempt to bring down costs.

The second situation occurs when the product's cost is too high and improved productivity is required to bring its cost down. For many years, Texas Instruments (TI) has followed a philosophy of increased production and lower costs in order to bring down prices. It won a major share of the American hand-held calculator market using this approach. However, companies operating under a production philosophy focus too narrowly on their operations.

Indeed, the implications of such an orientation of product lines are narrow and pricing is based on the costs of production and distribution. Also, research was restricted to technical product research while packaging was designed primarily to protect the product and promotion and hence, advertising was minimal. Moreover, the production-oriented organization relied heavily on sales orders to feed the production system rather than where the product went. Consequently, there was a heavy emphasis on sales volume but little interest in sales direction.

II. Product Orientation

The product orientation, also known as the basic orientation, is subtly different from the production orientation. The product concept holds that consumers will favour products that offer the best quality, performance and innovative features and so the product-oriented organization's primary concern is to produce the best product.

Kotler and Armstrong (1996) draw a note of caution by arguing that the product concept can lead to marketing myopia. They take the example of railroad management who once thought that users wanted trains rather than transportation and overlooked the growing challenge of airlines, buses, trucks and automobiles.

However, Harmsen, Grunert and Declerck (2000) posit a "positive" product orientation as a supplement to market orientation. They state that product orientation pertains to the product manufactured, with an emphasis on pride of craftsmanship, on objective product quality and even a positive emotional attachment to the products. Lewis, Pick and Vickerstaff (2001) further postulate that such a type of product orientation will clearly enhance performance inasmuch as it satisfies customer needs (i.e. for those customer segments which seek product quality).

III. Sales (Functional) orientation

The sales-orientated organisation, like the product-oriented organisation, believes that fundamentally all products and/or services are the same. The selling concept however, holds that consumers will not buy enough of the organisation's products unless it undertakes a large-scale selling and promotion effort. It is thought that most firms apply the selling concept when they have overcapacity and that their aim is to sell what they make rather than make what the market wants. Hence, the concept is typically practiced with unsought goods[33] and it therefore follows that success will come to the company that sells the hardest. Additionally, Kotler and Armstrong (1996) point that the selling concept takes an inside-out perspective, that is, it starts with the factory, focusing on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. In other words, it heavily focuses on customers' conquest, that is, getting short-terms sales with little concern about who buys or why.

Kotler, Brown, Adam and Armstrong (2004) affirm that in general, in organizations exhibiting a sales orientation the focus is on creating sales transactions rather than on building long-term, profitable relationships with customers. Fifield (1998) further declares that in sales-oriented organizations, the only measure of success is sales volume and that the latter also helps to support the sales activity fully in terms of heavy promotional activity and price competition.

IV. Marketing Orientation.

As markets grew and ever-increasing numbers of consumers from widely diverse backgrounds demanded products to meet their new lifestyles, marketing too had to adapt. The 1960s and 1970s saw the evolution of what is now accepted as the marketing era; that is, the adoption of the marketing concept. The concept was determined by an emphasis on market research into consumer behaviours and desires. It was founded on recognition that consumers from different backgrounds and beliefs had different

[33] These goods can be described as those that the buyer does not normally think of buying, such as encyclopaedias or insurance.

demands. Market research quickly determined that it was possible to segment consumers into loosely homogeneous groups which behaved in similar, but unique ways. This realization led marketers to recognize the need to put the consumer first in any marketing activity. Thus, marketing in this period, and indeed ever since has been primarily customer-focused.

As such, the marketing concept takes an outside-in perspective, that is; it starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities affecting customers, and makes profits by creating long-term customer relationships based on customer value and satisfaction (Kotler and Armstrong, 1996). The marketing concept has been stated in different colourful ways such as “We make it happen for you” (Marriott); “To fly, to serve” (British Airways); “We’re not satisfied until you are” (GE); and “ To do all in our power to pack the customer’s dollar full of value, quality and satisfaction” (JCPenney’s Motto).

Hence, a marketing oriented firm is one that allows the wants and needs of customers and potential customers to drive all the firm's strategic decisions. In such firms, corporate culture is systematically committed to creating customer value. The rationale is that the more a company understands and meets the real needs of its consumers; the more likely it is to have happy customers who will come back for more. As a result, this process can entail the fostering of long-term relationships with customers. Mankelow and Merrilees (2001) further add that such an orientation will not only determine the policies of the firm but will lead to enhanced financial performance.

A marketing oriented firm will typically show the following characteristics: extensive use of various marketing research techniques, broad product lines; emphasis on a product's benefits to customers rather than on product attributes; use of product innovation techniques such as; brainstorming, concept testing[34], and force field analysis[35]; the

[34] Concept testing is the attempt to predict the success of a new product idea before it is marketed. It usually involves getting people’s reactions to a statement describing the basic idea of the product. As such, it is usually pass/fail, go/no go.
[35] Force Field Analysis is a useful technique for looking at all the forces for and against a decision. In effect, it is a specialized method of weighing pros and cons.

offering of ancillary services like credit availability, delivery, installation, and warranty; customer satisfaction and complaint monitoring procedures including exit interviews[36], customer complaints database, and web and telephone information hotlines and; an organizational structure in which the marketing manager reports directly to the CEO.

It should be noted that since the concept has been introduced in the late 1960s, it has been modified, repackaged, and renamed as "customer focus", "the marketing philosophy", "market driven", “market focus”, "customer intimacy", "consumer focus", "customer driven", and "the marketing concept".

Many successful and well-known companies have adopted the marketing concept. For instance, L.L.Bean, the highly successful catalog retailer of clothing and outdoor sporting equipment has been founded on the marketing concept. Indeed his very first circulars include the following notice: “ I do not consider a sale complete until goods are worn out and the customer still is satisfied…Above all things we wish to avoid having a dissatisfied customer”.

In contrast however, many companies claim to practice the marketing concept, but in reality they do not. According to Kotler and Armstrong (1996), they have the forms of marketing, such as a marketing vice-president, product managers, marketing plans and marketing research but this does not mean that they are market driven. The authors argue that the question is whether they are finely tuned to changing customer needs and competitor strategies. It is to be noted that formerly great companies- Great Motors, IBM, Sears, Zenith- all lost substantial market share because they have failed to adjust their marketing strategies to the changing marketplace.

[36] The exit interview is part survey and part sales pitch. The objectives are to find out why customers are leaving, and to prevent them from doing so. It is particularly appropriate for companies whose customers have "accounts," -- banks, brokerages, internet service providers, cable television, and mutual funds, to name a few.

V. The societal marketing concept

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, worldwide economic problem and neglected social services. It asks if the firm that senses, serves and satisfies individual wants is always what is best for consumers and society in the long run (Kotler and Armstrong, 1996). According to the societal marketing concept, the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. Out of this concern arises the societal marketing concept**,** which is an extension of the marketing concept that challenges organizations to conduct their operations in a socially responsible manner.

In other words, the core of the societal marketing concept requires firms to consider the ethical consequences of their actions and the collective needs of society and at the same time profitably work to identify and satisfy customer needs. This is in line with Kotler (1994), whereby the societal marketing concept holds that the organisation's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors, in a way that preserves or enhances the consumer's and the society's well-being.

Such a re-examination of the firm's marketing activities may imply some rather extreme actions. It may mean refraining from marketing certain products in general, or dramatically changing how such products are promoted. For example, beer producers are now sponsoring ads that promote more responsible use by targeted customer groups - "don't drive if you drink," "drink in moderation," and "use a designated driver". In addition, some products are aggressively being "de-marketed”.

4.1.2 Market orientation

Market orientation is a central tenet of marketing. While marketing effectiveness (Kotler, 1977), marketing performance (Cespedes, 1991) and marketing success (Ambler and Kokkinaki, 1997) have been presented as important endogenous constructs in the relevant literature, market orientation has emerged as a critical topic with fertile research opportunities (Hunt and Morgan, 1995). Given the generic nature of market orientation with its relevance to a wide range of themes within the discipline, it is perhaps not surprising that the incidence of published work on the subject is increasing and developments have even taken place to establish a journal dedicated to “delineating or questioning the market oriented construct” (Grover, 1996).

Attempts to appraise the origin and development of this research stream are fraught with caveats and open to criticisms on the basis of material coverage and conceptual interpretation (Greenley, 1995a). By and large, researchers have tended to posit market orientation as a set of information-based activities (Kohli and Jaworski, 1990) and related behaviours (Deshpande *et al.,* 1993; Narver and Slater, 1990) that reflect the manifestation of the marketing concept as a business philosophy within the firm (Sigauw and Diamantopoulos, 1995). Consequently, market orientation is considered to be distinct from marketing orientation in the sense that the former addresses organization-wide concerns while the latter reflects a functional focus on the departmentation of marketing (Shapiro, 1988). For purposes of proposing a working definition, a firm characterized as market oriented might have: developed an appreciation that understanding present and potential customer needs is fundamental to providing superior customer value; encouraged the systematic gathering and sharing of information regarding present and potential customers and competitors as well as other related constituencies; and, instilled the *sine qua non* of an integrated, organization-wide priority to respond to changing customer needs and competitor activities in order to exploit opportunities and circumvent threats (Hunt and Morgan, 1995; Kohli and Jaworski, 1990; Narver and Slater, 1990).

Four elements of market orientation have been initially accepted and widely used, namely: profitability, market focus and customer orientation, integrated marketing efforts and a business philosophy. However the most renowned theories on the concept stem from the works of Kohli and Jaworski (1990) and Narver and Slater (1990). Indeed, the concept has further received impetus when Narver and Slater (1990)[37], and subsequently

[37] Mankelow and Merrilees (2001) stipulate that the marketing concept has received enhanced credibility when Kohli and Jaworski (1990) outline its components and strategies for its implementation.

Jaworski and Kohli (1993) demonstrate a link between market orientation and profitability. These findings are further supported by Pelham and Wilson (1996) who find that market orientation has a positive impact on product quality, new product success and profitability. A recent study by Pelham (2000) reports similar results, namely the positive role of market orientation on growth/differentiation strategy and performance.

4.1.2.1 Approaches to market orientation

The construct of market orientation has been the subject of extensive discussion and debate. The two dominant conceptualisations were derived from the work of Kohli and Jaworski (1990) with their focus on information generation, dissemination and responsiveness and Narver and Slater (1990) who emphasis customer and competitor focus and inter-functional co-ordination. However, most researchers have tended to adopt one or the other of the original definitions and the current study uses the Kohli and Jaworski (1990) perspective as probably the more popular of the two. In general, market orientation implies an expanded focus, paying balanced attention to both customers and competitors by some researchers (Kohli and Jaworski, 1990; Kotler and Armstrong, 1994; Narver and Slater, 1990), yet still remaining predominantly customer oriented by others (Deshpande et al., 1993; Ruekert, 1992; Shapiro, 1988).

Still, Enright (2001) declares that the market orientation stream of literature originated by Kohli and Jaworski (1990) and Narver and Slater (1990) has a tendency to set aside the possibility that other systems of marketing than the one based on more or less established markets and offerings might exist, and necessitate differing approaches to the market orientation question. In this context, a review of the different perspectives[38] advanced in the literature to explain the concept of market orientation has been replicated here.

1. The decision-making perspective

One of the market orientation perspectives identified in the literature is the decision-making perspective proposed by Shapiro (1988), which he conceptualizes as an organizational decision-making process. At the heart of this process, is a strong

[38] Cited by Lafferty and Hult (2001).

commitment by management to share information interdepartmentally and practice open decision making between functional and divisional personnel. Shapiro (1988) specifies three characteristics that make a company market driven namely: information on all important buying influences permeates every corporate function; strategic and tactical decisions are made interfunctionally and interdivisionally and divisions and functions make well-coordinated decisions and execute them with a sense of commitment.

The first characteristic reflecting a market orientation stresses the need for the company to understand its markets and customers and to allow this customer information to "permeate every corporate function". The information that is generated through various mechanisms, such as market research reports, taped customer responses, industry sales analyses, and trade show visits by top executives, is disseminated to every corporate function. The second characteristic proposed suggests that a market-oriented company must possess the ability to make strategic and tactical decisions interfunctionally and interdivisionally in spite of potentially conflicting objectives that mirror differences in modes of operation. It is thought that the functions and divisions of a company must be willing to listen to each other and be encouraged to express their ideas honestly and openly. Shapiro (1988) further adds that to make wise decisions, functions and units must recognize their differences and be willing to utilize an open decision-making process.

The third characteristic focuses on making well-coordinated decisions among the divisions and functions and executing them with a sense of commitment. By joint sharing of ideas and discussion of alternative solutions, the market-oriented company can leverage its strengths. Shapiro (1988) indicates that powerful internal connections make communication clear, coordination strong, and commitment high, while poor coordination can result in misapplication of resources and failure to seize market opportunities. Although these characteristics of market orientation strongly indicate a customer focus, Shapiro (1988) does indicate anecdotally that understanding the strengths and weaknesses of the competition is part of being a market-oriented organization as well.

2. The market intelligence perspective

Market orientation is the organization-wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organization-wide *responsiveness* to it (Kohli and Jaworski, 1990). According to Lafferty and Hult (2001), by focusing on specific marketing activities, Kohli and Jaworski (1990) facilitated the ease of operationalizing the marketing concept.

i. Market intelligence

The starting point of market orientation according to Kohli and Jaworski (1990) is market intelligence and it covers formal and informal mechanisms such as customer surveys, meetings and discussions with customers and trade partners, analysis of sales reports and formal market research. It also involves the monitoring of competitors' actions, their effect on customer preferences as well as analyzing the effect of other exogenous factors such as government regulation, technology and environmental forces.

In a similar vein, Kotler and Armstrong (1996) postulate that marketing intelligence can be gathered from many sources namely from the company's own personnel- executives, engineers and scientists, purchasing agents and the sales force-, suppliers, resellers and customers. The writers (1990) also indicate that effective market intelligence involves not just current needs but future ones. This suggests that organizations anticipate needs knowing that it can take years to develop products to fulfill those needs. It is to be noted that this supports Shapiro' (1988) viewpoint that a market-driven company is one, which acquires and utilizes information on all the important influencing factors that affect the buyers.

ii. Marketing dissemination and responsiveness

An important part of this element of Kohli and Jaworski's research is that intelligence generation is not the exclusive responsibility of the marketing department. In other words, relevant information regarding customers and competitors has to be disseminated effectively to all functional departments in the company such as R&D, manufacturing, and finance. This leads to the second key element described by Kohli and Jaworski, which is intelligence dissemination. Part of the organization's ability to adapt to market needs is how effectively it communicates and disseminates market intelligence among the functional areas. It is to be noted that this dissemination of market intelligence is important because it provides a shared basis for concerted actions by the different departments. The third and last key element of the authors' definition of market orientation is responsiveness to market intelligence. According to Lafferty and Hult (2001), the first two elements have no value if the organization is not able to respond to market intelligence and the market needs. Additionally, Shapiro (1988) states that information has to permeate the entire firm and that strategic and tactical decisions have to be made and executed interfunctionally. In this respect, Kohli and Jaworski (1990) stipulate that this responsiveness can take the form of selecting the appropriate target markets, designing, producing, promoting and distributing products that meet current and anticipated needs.

3. The culturally based behavioral perspective

The concept of market orientation has further been clarified by the work of Narver and Slater (1990) who identify the concept as an organisational culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus, superior performance for the firm. They construe that market orientation comprises of five behavioural components, namely: customer orientation, competitor orientation, interfunctional co-ordination, long-term horizon and profit emphasis, but the last two components proposed, have been later abandoned.

i. Customer Orientation

According to Narver and Slater (1990), the customer orientation element requires a sufficient understanding of the customer in order to create products or services of superior value for them. This creation of value is accomplished by increasing benefits to the buyers or customers while decreasing their costs. For firms to develop this level of understanding necessitate the acquisition of information about the customers or buyers and an understanding of the nature of the economic and political constraints that face them. This will in fact help to ensure that the company will be cognizant of the needs of its present and future buyers and can work to satisfy those needs.

According to Ohmae (1983) the commercial validity of market orientation is rooted in the context of the strategic triangle – customer, competitor and firm. The author states that the customer is the target to be created and maintained, and competition serves as a frame of reference from which the firm differentiates itself, *via* employing its relative corporate strengths to improve, or deliver in a different way customer-desired satisfactions.

ii. Competitor Orientation

As well as focusing on its customers, must also look how well its competitors are able to satisfy the buyers' needs. The competitor orientation hence, means that the organization understands the strengths and weaknesses of its current and possible future competitors as well as their long-term capabilities and strategies. The competitor orientation parallels the customer orientation in information gathering and includes a thorough analysis of the competitors' technological capabilities in order to assess their ability to satisfy the same buyers.

iii. Interfunctional Coordination

It is futile for marketing managers to develop marketing plans that are not acted upon by people who are capable of delivery promises made to customers, which leads to the next behavioral component cited is interfunctional coordination, which is the coordinated utilization of company resources in creating superior value for its customers. Thus, anyone in the organization can potentially create value for the buyer. This coordinated integration of business resources is closely linked to the customer and competitor orientation. It draws on the information generated and through the coordinated use of company resources, disseminates the information throughout the organization. If interfunctional coordination does not exist, then Narver and Slater (1990) suggest that this must be cultivated by stressing the advantages inherent to the different areas in cooperating closely with each other.

The authors' point of view supports Leventhal (2005) declaration that in order to achieve a true market orientation, a company does not only need to make the customer the epicenter of its business perspective but at the same time it is has to get those within the organization to become involved, become supportive, with these marketing efforts.

4. *The strategic focus perspective*

The level of market orientation in a business unit is the degree to which the business unit obtains and uses information from customers, develops a strategy, which will meet customer needs, and implements that strategy by being responsive to customer needs and wants. Ruekert (1992) borrowed aspects from the definition of market orientation proposed by Kohli and Jaworski (1990) and Narver and Slater (1990) and focused on the business unit rather than the corporate or individual market as the unit of analysis.

Ruekert's (1992) strategic approach allows managers to collect and interpret information from the external environment in order to set goals and objectives and to allocate resources to programs in the business unit. According to Ruekert (1992), the most critical external environment in developing a market orientation is the customer. The second dimension of market orientation is the development of a plan of action or a customer focused strategy. Such a dimension considers the degree to which the strategic planning process considers customer needs and wants and develops specific strategies to satisfy them. In the third dimension, the customer-oriented strategy is implemented and executed by organizational responsiveness to the needs and wants of the marketplace.

5. *The customer orientation perspective*

Customer orientation is the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise. Deshpande *et al.* (1993) have proposed a more divergent view of market orientation suggesting that it is synonymous with customer orientation. Since they argue that a competitor orientation can be almost antithetical to a customer orientation, Deshpande *et al.* (1993) exclude the competitor focus from the market orientation concept.

However, they acknowledge that an interfunctional coordination is consistent with a customer orientation and have to be part of its meaning. The authors also view customer orientation as being part of the overall corporate culture whose values reinforce and perpetuate this focus. It is to be noted that this view is similar to Slater and Narver (1995) who define market orientation as the culture that: places the highest priority on the profitable creation (1) and maintenance of superior customer value considering the interests of stakeholders; provides norms for behavior regarding the (2) organizational development and responsiveness to market information.

Simkin (2000) argues that if the "right" opportunities are pursued, customers are properly probed, the "right" customers targeted with a marketing proposition designed to give a business an edge over its rivals, it is highly likely that customers will be satisfied, market share will rise in core target markets and profitability will accordingly support a viable future. Conversely, if a business develops a product or service which fails to reflect customer expectations and needs, is no better than competing offers and takes no account of evolving market conditions, it is unlikely that the future will be prosperous for such an organisation.

However, even in fully market-oriented organizations, it is not just the customers that contribute to the continuing success of the firm. The availability of finance and labour inputs may be critical, and in times of shortage in one of these an organization must adapt its production processes if it is to continue its customer's needs. In addition, a whole range of internal and external pressures (such as government legislations and the emergence of new technologies) can affect its ability to profitably meet customers' needs. Hence, firms must adapt to a changing marketing environment if they are to survive and prosper.

Finally, Liu (1995) further reasoned that market orientation also comprises another important element, which deserves attention is innovation. Academics and practitioners[39] have long recognised the positive relationship between marketing and innovation. It is indeed thought that it is only through innovation that market orientation evolves being better than or different from competitors.

- **A consensus on the definition**

At the heart of all the models of market orientation reviewed is the emphasis on the organization's customers. Since market orientation is the operationalization and implementation of the marketing concept, it makes sense that the fundamental premise of satisfying the needs and wants of a firm's customers should be inherent in any basic conceptualization of market orientation. Regardless of the perspective taken, the need for the company to understand its customers (Shapiro, 1988), meet their needs (Ruekert, 1992) now and in the future (Kohli and Jaworski, 1990), create value for them (Narver and Slater, 1990) and put their interests first (Deshpande *et al*., 1993) is clearly put forth in the various definitions of market orientation.

A second unifying element that defines market orientation is the importance of information within the organization. This information has its focus, once again, on the customer. Shapiro (1988) indicates that a market-driven company is one, which acquires and utilizes information on all the important influencing factors that affect the buyers. The other perspectives echo this sentiment. Kohli and Jaworski (1990), for instance, refer to the need to generate information that they discuss within the broader framework of market intelligence. Narver and Slater (1990) indicate that in order to create value for the customer, a level of understanding is required which necessitates acquiring information on all the constraints that face them. Ruekert (1992) also clearly specifies that the degree to which a firm obtains and uses information from customers will determine the level of market orientation of that organization. Finally, in the conceptualization of market orientation by Deshpande *et al.* (1993), they discuss the idea

[39] See Drucke (1954), Mckitterick (1957), King (1963) and Simmonds (1982).

that even though a focus on information about the needs of customers is important in a customer-oriented firm, it is inadequate without consideration of the values that pervade that organization and which help to define the customer focus.

Three of the five models indicate the need for the organization to generate and utilize information on competitors as well. All the perspectives corroborate except the ones proposed by Deshpande *et al*. (1993) and Ruekert (1992) that the organization needs to understand the strengths and weaknesses of its competitors. Kohli and Jaworski (1990) specify that market intelligence also include monitoring competitors' actions in order to determine their effect on consumers. Narver and Slater (1990) give equal weight to competitor orientation as they do to customer orientation in their conceptualization indicating that information gathering is equally important in both areas. Finally, Shapiro (1988) infers anecdotally that a market-oriented firm will also assess the competition and acquire information on them.

A third area of agreement in the models is the interfunctional coordination or dissemination of information in the organization. In the conceptualization by Shapiro (1988), the importance of this cooperative orientation is evident in all three of the characteristics he specifies that define a market-driven firm. Not only does he state that information should permeate the entire firm but that strategic and tactical decisions should be made and executed interfunctionally. The second key element in the definition of market orientation by Kohli and Jaworski (1990) specifically addresses intelligence dissemination interdepartmentally and the necessity of this step to ensure concerted action by the different departments. Narver and Slater (1990) single out interfunctional coordination as a key element in the conceptualization of market orientation and indicate that it is an equally important element as customer and competitor orientation. Ruekert (1992) also agrees with the need for interfunctional coordination in order to deliver customer value, and Deshpande *et al*. (1993) acknowledge that interfunctional coordination is consistent with a customer orientation and should be part of its meaning.

There has been substantial amount of systematic studies examining the market orientation and performance link. Traditionally, the literature concerning the marketing concept has assumed that the implementation of the market orientation would lead to superior organizational performance (Piercy et al, 2002). In their study, Kohli and Jaworski (1990) propose that the greater the market orientation of an organization, the greater would be the overall performance. However, it has been demonstrated by some[40] that as antecedent to a market orientation a high quality marketing planning can lead to performance benefits.

4.1.3 Marketing Planning

According to Warren (1966), planning is a process directed towards making today's decisions with tomorrow in mind and a means for preparing for future decisions, so that they may be made rapidly, economically, and with as little disruption to the business as possible. A number of authors have pinpointed the kinds of marketing activities, which are involved in the process. For instance, the marketing planning process encapsulates the basic ingredients of marketing management which Pearson and Proctor (1994) describe as a systematic involving the assessment of marketing opportunities and resources, the determination of marketing objectives and the development of a plan for implementation and control. More explicitly Kotler (1991) states that, marketing planning includes: marketing analysis, strategic thinking and the determination of marketing mix programmes designed to implement the recommended marketing strategy.

Some authors have declared that marketing planning (and more generally business planning) can be considered as a technology, a set of techniques and activities, that assists an organization in achieving an appropriate alignment of external environment and internal capabilities in order to achieve a desired outcome (Jain, 2000; McDonald, 1999; Cravens, 2000). In addition, Pulendran et al. (2003) have stipulated that marketing planning is a behavioural phenomenon since it consists of the adoption of the technology. These marketing planning advocates have stressed on the importance of the adoption of marketing planning technology and argue that it is more comprehensive, rational and objective, and that this leads to more appropriate resource allocations and improved organizational performance.

[40] Pulendran, Speed and Widing II (2003).

4.1.3.1 The marketing planning process

Simkin (2000) argues that the marketing planning process can be broken down into three different stages, with the first stage comprising of core analyses consisting of the existing situation, ABC sales: contribution analysis, general trends/marketing environment, strengths, weaknesses, opportunities, threats, customer needs, expectations and buying patterns, balance of portfolio and brand or product positioning. The second stage proposed by the author is that of strategic thinking which consists of the determination and selection of new/revised target market segments, the selection of new/revised target market segments, the basis for competing, the determination of brand positioning strategies, the marketing objectives and gap analysis. The third stage is the implementation programmes which consist of three components that is the marketing mix programmes[41], resources and scheduling[42] and ongoing requirements[43].

Components of a Marketing Plan

Kotler and Armstrong (1996) postulate that a detailed marketing plan is needed for each business, product or brand. The writers have also examined the different components of such a plan and argue that it should contain the following sections: executive summary, current marketing situation, threats and opportunities, objectives and issues, marketing strategies, action programs, budgets and controls. It is usually the case that the time span of such a plan can cover one year (referred to as an annual marketing plan), or cover up to 5 years.

- **Executive Summary**

The executive summary is a brief overview of the entire plan and covers only the main points. It is the first part of the marketing plan, but must be written after all other parts are completed. The summary is helpful to investors who may want to read a synthesized

[41] These programmes involve product range and portfolio, pricing and payment issues, promotional strategies and tactics, distribution levels and personnel, service levels and personnel, salesforce;, internal communications and organisation.
[42] This implies budgets, people and responsibilities, activities and timings.
[43] These requirements consist of product/brand development, marketing research, training/recruitment, communications and monitoring performance.

version to determine if they are interested in it before taking the time to read it in depth. Moreover, it is also useful internally, as it helps to remind the firm and its employees of the organization's desired marketing goals and how to achieve them.

- **Situation Analysis**

The situation analysis helps you to determine where your organization presently stands. It should examine what is going on outside of the organization, what is happening with consumers, and how the business is functioning internally. As such, the current marketing situation can be broken down into three components namely: an external analysis, a customer analysis and an internal analysis.

The external analysis considers the changes that take place in the company's city, country or around the world and what can be the potential impact on its business. For example, the company may have particular interests in the changes in political positions and legislation at the local, state, and national level; the changes in technology, the trends in society's values and habits; economic conditions; and also identify competitors and list their characteristics.

Moreover, before developing a marketing plan it is important to find out what consumers want and how they make purchase decisions. This may require some research about current and potential customers; trends in consumer buying habits; why do consumers purchase this product or service? Or why do others not purchase this product or service?

In addition, knowing the state of the organization and its resources will help to determine the strengths and what areas need attention. Henceforth, information like the current state of financial and human resources; the anticipated state of financial and human resources and the business's performance in relation to competitors

- **SWOT Analysis**[44]

Conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis is essential in assessing the company's position and serves as a guide to developing marketing plans. The benefits derived from a SWOT analysis are enormous in that they provide a fairly simple, low-cost way of assessing the company's position and presents information that is important in developing business and marketing plans, as well as setting organizational goals and objectives. But more importantly, it tells the business where the company currently sits, and where it needs to go in the future.

- **Marketing Goals and Objectives**

After determining its strengths, weaknesses, opportunities, and threats, the firm will have a better idea of what marketing goals and objectives[45] should be set. It is argued that goals must be realistic and consistent with the firm's mission and objectives must be measurable and time-specific.

- **Marketing Strategies**

In this instance, the company will define its primary, secondary, and tertiary target markets and their purchasing characteristics. The next step will be to discuss the marketing mix elements (product, price, place/distribution, and promotion) as they relate to your product or service. Moreover, in developing the strategy, the product manager may wish to confirm with the purchasing and manufacturing people that they will able to buy enough material and produce enough units to meet the target sales volume levels. The product manager may also need to talk to the sales manager to obtain sufficient sales force support and to the financial officer to obtain sufficient funds for advertising and promotion.

- **Implementation**

At this point, the company will describe what must be done internally in order to meet the goals and objectives set. Next, the firm will discuss the specific actions that will take

[44] Discussed previously in last section.

[45] Goals are the overall accomplishments that the company would like to make and objectives are benchmarks to meeting those goals.

place and when they will occur. In effect, it will be creating a month-by-month marketing calendar that will serve as a guideline for implementation. It is observed that many of the tactics listed on your calendar will be the same as your objectives.

- **Evaluation and Control**

Many business owners forget the importance of evaluating their marketing plan. This is extremely important, because it serves as a guideline for what to do or not to do in the next marketing planning period. Henceforth, the last section of the marketing plan outlines the controls for monitoring the plan. Typically, the goals and budgets are spelled out for each month and quarter, so senior management can review the results each period. Some control sections include contingency plans, which outline the steps that management will take in response to specific adverse of developments, such as price wars or strikes.

4.1.3.2 Benefits of marketing planning

The role of marketing planning and its use by businesses have been extensively reviewed and studied.[46] The benefits associated with marketing planning are also well documented in the literature[47]. It is widely accepted that businesses use this process to prioritise opportunities and strategic options, develop marketing programmes and instil greater business direction (Dibb et al., 1996). In its simplest form, marketing planning can improve an organisation's ability to handle the complexities of its trading environment, thus delivering tangible economic benefits. Indeed, when managed carefully and closely monitored, it seems that marketing planning can enhance managers' understanding of marketing and markets, making them better equipped to make strategic and tactical decisions (Leeflang and de Mortanges, 1996; Simkin, 1996a, b). Additionally, a systematic appraisal of marketing planning conducted by McDonald (1999), reveals the following key advantages: the co-ordination of the activities of many individuals whose

[46] Cousins, (1994); Dibb and Simkin, (1997); Greenley, (1982); Leeflang and de Mortanges, (1996); McDonald, (1992a, b); Mackintosh and Tynan, (1994); Dodge *et al*., (1994); Watkins and Blackburn, (1986); Dunn *et al*., (1986).
[47] Dibb, (1997); Greenley and Oktemgil, (1996); Jain, (1993); McDonald, (1999); Simkin, (1996a, b); Zinkham and Pereira, (1994).

actions are inter-related over time, the identification of expected developments, preparedness to meet changes when they occur, the minimisation of non-rational responses to the unexpected, the better communication among executives and the minimisation of conflicts among individuals. Lastly, Hill (2001) argues that marketing planning encourages both consideration of the status quo and stimulates thinking about future directions. It encourages environmental scanning and hence identification of opportunities.

However, even if most researchers believe that marketing planning is a good thing and can benefit the organization (McDonald, 1992), studies in the USA and the UK have found that many companies fail to use a comprehensive marketing planning process (Winer, 1965; Greenley, 1985; McDonald, 1982a; 1982b). The reason for this is probably because there are many barriers to the preparation and implementation of marketing plans. McDonald (1989) summarises these difficulties in marketing planning under the following ten barriers: a confusion between marketing strategy and tactics; isolation of marketing function from business operations; a confusion between marketing function and marketing concept, prevailing organisational structures along functional lines; a lack of skills in in-depth analysis; a confusion between process and output; a lack of core marketing management knowledge and skills; a lack of a disciplined, systematic approach to marketing planning; a need to prioritise objectives and a need for a more appropriate marketing culture.

4.4.1 Analysis of market opportunities

Since the marketing environment is changing at an accelerating rate, the need for real-time market information is greater at any time than in the past. Consequently, companies with superior information will enjoy a competitive advantage, as it will be able to choose its markets better, develop better offerings and hence execute better marketing planning. Thus, the role of the marketing information system (hereafter, MIS) will serve to assess the manager's information needs, develop the needed information and distribute that information in a timely fashion.

4.1.4.1 The marketing information system

Kotler (2000) concluded that a MIS would consist of people, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information to marketing decision makers. In general this information comes notably from different sources, namely; internal company records, marketing intelligence activities, marketing research, and marketing decision support analysis.

1. *Internal reporting systems*

Most marketing managers use internal records and reports regularly, especially for making day-to-day planning, implementation, and control decisions. Internal records consist of information gathered from sources within the company to evaluate marketing performance and to identify marketing problems and opportunities. However, even if these internal records can be usually assessed more quickly and cheaply than any other information sources, there are also some inherent problems. Certainly, because internal information has been collected for other purposes, it may be incomplete or in the wrong form for making marketing decision. For example, sales and cost data used by the accounting department for preparing financial statements must be adapted for use in evaluating product, sales force, or channel performance. As a result, the MIS must gather, organize, process, and index this mountain of information so that managers can find it easily and quickly.

2. *Marketing intelligence systems*

A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision-making. It involves them in scanning newspaper trade magazines, business journals and reports, economic forecasts and other media. In addition, it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its sales force, after-sales personnel and district/area managers to take cognisance of competitors' actions, customer complaints and requests and distributor problems. Forward looking enterprises will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

However, managers cannot always wait for information that is provided on an ad-hoc basis by the marketing intelligence system because they often require formal studies of specific situations. For instance, Toshiba may want to know how many and what kind of people or companies will buy its new superfast laptop computer. In such a situation, the marketing intelligence will not provide detailed information needed, therefore managers will have recourse to marketing research.

3. *Marketing research systems*

Marketing research is a proactive search for information, that is, the enterprise which commissions these studies does so to solve a perceived marketing problem. In many cases, data is collected in a purposeful way to address a well-defined problem (or a problem which can be defined and solved within the course of the study). The other form of marketing research centres not on a specific marketing problem but attempts to monitor continuously the marketing environment. These monitoring or tracking exercises are continuous marketing research studies, often involving panels of farmers, consumers or distributors from which the same data is collected at regular intervals. Whilst the *ad hoc* study and continuous marketing research differ in the orientation, yet they are both proactive.

The American Marketing Association argues that marketing research is the function that links the consumer, customer, and public to the marketer through information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the methods for collecting information, manages and implements the data collection process, analyzes, and communicates the findings and their implications.

- Nota bene

There is often a lot of confusion between Market research and marketing research. While market research is simply research into a specific market, marketing research is much broader as it involves not only includes market research, but also areas such as research into new products, or modes of distribution such as via the Internet.

4.1.5 Marketing in the context of SMEs

Marketing in the small business context has long been recognized as uniquely different. As such, with 90% of firms in any economy being small to medium sized it means that most marketing strategies and plans stem from this sector (Carson, Cromie, McGowan and Hill, 1995). The literature on the small firm marketing has evolved according to three school of thoughts; the first one claims that traditional marketing can be copied to small firms, the second branch advocates that the conventional as propounded by the literature can be practiced by small firms as long as it is modified while the last branch advocates that small firm marketing is completely different from the one adopted by large firms.

In his article, Reynolds (2002) poses a fundamental question that is highly pertinent to the developing subject of marketing within small firms. He asks whether the conventional marketing theory and practice from the ‘classical school’ is applicable to all types of organizations, no matter the size. He concludes that in many cases the central core hub of marketing known as the classicist philosophy of strategic marketing management is appropriate and can often be employed to the smaller enterprise with beneficial commercial effects. However Reynolds (2002) concludes that there may be some reluctance on the part of small firms to accept the notion that conventional marketing is of particular use. This is in line with Beam and Carey (1989) who stipulate that small businesses are very aware of the need for marketing, even if they do not always do it. Kenny and Dyson (1989) further add that sophisticated marketing theories frequently have little meaning for the micro business owner-manager. This in turn concurs Hogarth-

Scott et al.'s (1996) view that small business owner-managers are often generalists, not marketing specialists and complex marketing theories may not be appropriate for small businesses and probably will not aid in the understanding of their markets.

Interestingly, Hogarth-Scott et al. (1996) have examined whether small businesses need to practice marketing at all to survive and grow and provide support to the school of thought that marketing is relevant for small and large firms. Contrastingly though, they find that there is considerable variation in the sophistication of marketing practice between small businesses, ranging from virtually no marketing at all and lack of understanding of markets, to quite sophisticated marketing strategies and tactics in some of the more successful businesses. This can be explained by the fact that marketing practice is situation specific and dependent on several factors, for example, the nature of the markets served, the growth stage of the firm, the types of product or service offered, and the quality of management. Of course, there are those who will continue to argue that any marketing theory can be applied in any context and taken in the most general sense and this will be a fair argument[48], but, SMEs do not function at a general level, they operate at the situation specific level- a circumstance which is uniquely individualistic.

In consequence, some proponents have advanced that since marketing is a discipline[49], it has to be adapted and modified accordingly in order to be implemented effectively. This leads to that branch of the literature that posits that the standard marketing approach is suitable for the smaller enterprise, albeit with some minor 'adjustments'. These 'adjustments' have to take into consideration the more modest budgets available to many SMEs and the limited technical knowledge of formal conventional marketing amongst the management of smaller enterprises (Herrmann and Perreault, 2000). For example Carson[50] states that SMES will pragmatically adapt any marketing theory to make it relevant to the way they do business. The writer goes on and argue that whether this looks like or meet the criteria of good textbook marketing has no consideration with an

[48] This is the case of Siu and Kirby (1998) who support that the basic principles of marketing are universally applicable to large and small businesses.
[49] Baker (1985a), Gardner (1991) and Waterworth (1987).
[50] Published in Baker (1999).

entrepreneur, it is the intuitive performance in practice which is the prime consideration. Carson and Gilmore (2000) add that an SME-specific version of marketing mix borrowed from traditional marketing 4Ps can guide the SME thinking and doing business.

However, other studies have argued that marketing does not exist or, at best, is performed in a very primitive fashion in new small firms. Much of the research into marketing in small businesses concludes that it is frequently underutilized and misunderstood by small business owner-managers. Much of the fairly limited literature in respect of small firms' marketing points to a brand of marketing that is unique to small firms (Carson *et al*., 1995; Mackintosh and Tynan, 1994; Carson, 1993; Carson and Cromie, 1989). Such literature suggests that existing conventional or formal marketing approaches are inappropriate for small firms, as small firms are "different".

Coviello et al. (2000) further explain that small firms' marketing practices have been historically assessed in the context of existing models based on large firm practices, which is probably why small firm marketing practices have generally been criticised as non-traditional, informal, short-term, and non-strategic. Indeed, many small firms have negative attitudes to marketing and also feel that many of the rules pertaining to large firms do not apply to them. As such, a number of studies have concentrated on the factors hindering the further development of traditional marketing in small firms.

4.1.5.1 Marketing constraints on SMEs

Among others, these marketing constraints include the limited impact on the marketplace, their reluctance to recruit outside specialists, and their reservations about the applicability of certain notions of marketing to what they believe to be their "special" circumstances (Carson, 1985; 1995). These limitations, combined with small business characteristics, influence their marketing practices.

Moreover, small firms will often have very limited funds available for marketing purposes and, limited marketing expertise in carrying out marketing decisions and activities.[51] Therefore, the marketing performed may be undermined because the SME does not have enough money to spend and there is also the added danger that even this limited spend may be used incorrectly and inefficiently. Even if marketing money is spent wisely, the nature of an SME, in that it is small relative to its market place and position within that market, means that its marketing will invariably have a limited impact upon the market.

In a similar vein, Hisrich (1992) cites that surveys of entrepreneurs in the US as well as throughout the world reveal that the two biggest problem areas in new ventures are namely, marketing and finance. He explains further that the two major problems are related in that the lack of marketing plan, accurate determination of market size, and reliable sales forecasts often preclude that of initial seed capital funding. Also, sales resulting in part from a poor marketing effort or poor sales estimates frequently cause cash problems. Sound marketing is necessary for developing a new product or service as well as a successful new venture. Compounding these problems is the misguided belief of many entrepreneurs that everybody needs and wants their innovation. A further complication is the entrepreneur's "bag mentality" an over-concern that someone will steal their invention, which often leads to the invention's being hidden in a bag, so no market feedback can be obtained.[52]

The constraints outlined above will have a significant impact on the way marketing is performed in SMEs. What emerges is a unique style of marketing, which does not conform to formal marketing approaches but which is most effective and appropriate for the SME. And this unique style will have a certain advantages, which can enhance the marketing performance of the SME.

[51] The lack of finance and lack of specialist expertise also serve as severe constraints upon marketing ability and activity (Carson et al., 1995).

[52] It is to be noted that this is in line with what has been said in Section 1.0- page14, whereby have a 'fortress enterprise' mentality in dealing with the wider environment, which results in a low participation in networking activities of all kind.

4.1.5.2 Marketing advantages of SMEs

It has been suggested that the work environment within a small firm is likely to be more harmonious than that within larger companies as the employees are usually closer to the lead entrepreneur and because of the latter's influence these employees must conform to the entrepreneur's personality and style characteristics if they are to remain as employees. Indeed, it is true that in many instances the owner/manager does have an increased opportunity to be acquainted with most employees on an informal basis. When this is the case, it is important to note that increased worker loyalty, pride and commitment are likely to ensue, which will then translate into a marketing advantage for the SME (Carson et al., 1995).

Another marketing advantage of a SME is its closeness to the customer. Indeed, it has been noted that SMEs quite often have a narrow customer base and customers are usually concentrated in a local market. This in turn means shorter lines of communication between the enterprise and its customers. Consequently, owner/managers often know their customers personally and the resultant interactions of such relationships lead to benefits, including customer loyalty and higher levels of customer satisfaction.

Additionally, because of its size, the SME is usually more flexible in responding to customer inquiries. If, for example, a customer of a small engineering firm requires a customised piece of plant, this can be accommodated fairly quickly and without the major retooling effort that will be required in a larger enterprise. It is also found that SMEs' flexibility also implies speed of response to customers' inquiries.

This reaction to market changes is also another marketing advantage of the SME. Indeed, because of their closeness to market, they can identify changes in marketing trends, consumer demand and a host of other areas more easily than large firms, and therefore are usually quick to react. Moreover, because of their size they are less cumbersome and usually less hidebound, and because of their nature they are seldom committed to long-term courses of action. Any change of marketing direction is therefore more easily attained. Additionally, since marketing decisions are usually the responsibilities of one or at the most of a few individuals is also a significant advantage. This means that important marketing decisions are made quickly, without undue delay, and this places the SME in a position of potential superiority over larger firms competing in the same markets.

As a result of their entrepreneurial nature, SMEs tend to be more opportunity-focused[53] than larger enterprises. Surely, this facility and willingness to embrace opportunities readily is another advantage over the larger enterprise. Moreover, allied to the opportunity focus characteristic of the SME is its ability to concentrate in lucrative market niches. Such market segments are often too insignificant for larger firms to target but are substantial and viable in respect to the SME.

Lastly, linked to all of the above advantages, is the easy access to and use of market information. As a consequence, the small firm owner is constantly accessing vital and expensive market information. Moreover, as a result of their entrepreneurial nature and their own industry knowledge and experience, small firm owners are able to synthesize this information and use it to make better marketing decisions. This ability to gather and use information in this manner is an advantage over larger firms which do not exhibit the same informality and which quite often are forced to rely on commissioned market reports as their source of vital marketing information.

It is found that such marketing advantages allow the SME to be insulated against direct competition from larger organisations by focusing on exploiting market niches, perhaps targeting a specific sector of the market, reducing the cost gap between themselves and larger competition, persuading customers that only they can produce real quality and that cost differentials are worth it to obtain the right product.

4.1.5.2 Marketing styles models reflecting in small firms

However, despite these numerous advantages, academic research appears unable to resolve a number of questions about small businesses and their relationship with and the

[53] This aspect of the entrepreneur, that is the opportunist, has been discussed in Section 1.

use of marketing. In this end, researchers have built models explaining the kind of marketing carried out by small firms. For instance, Churchill and Lewis (1983) have identified five stages in the development of a firm namely: existence, survival, success, take-off and resource mature. As per the researchers, marketing is believed to exist as a major issue in the “Existence” stage only, where the owner-manager at this stage takes charge of the marketing and sales activities. As the small firm grows however, marketing becomes a minor issue; it decreases from critically important to modestly irrelevant.

Indeed, Cannon (1991) has pointed out that even if research studies into marketing in small business have proliferated, empirical evidence has been generated in an ad hoc manner, given the general absence of a systematic approach to the subject. As a result, insufficient knowledge about marketing in small business remains and an appropriate small business marketing theory is absent. This absence of a coherent framework for analytical consideration can be largely explained by the dynamic nature of marketing science (Baker, 1985a, b)

The role and relevance model of marketing in SMEs has been described in theory by Simpson and Taylor (2002). The model proposed by the researchers goes some way to explaining the reasons for SMEs adopting different strategies regarding marketing. It was suggested that the reactive strategy was the most likely approach to be taken by an SME attempting to become ‘Marketing Led’. In a marketing-led organization (hereafter MLO), marketing is very important to the company’s success and plays a major role in the strategic direction of the organization. Marketing is seen as highly relevant in this type of organization because competition is very fierce in the markets the organization serves. Hence, marketing consumes a lot of organizational effort but the rewards are seen in maintaining and improving the market share of the organization against tough competition. The organization will be expected to have a strong marketing orientation and wholeheartedly adopt and adhere to the principles and practices of marketing. Such an organisation will also be expected to have a marketing department with a reasonable budget, representation of the marketing function at director level on the board of directors, and the marketing function should have a significant effect on the strategy adopted by the organisation. Such an organisation might be viewed as having adopted best practice business sense in dealing with its external business environment.

On the other hand, in a marketing dominated organisation (hereafter MDO), marketing is as dominating the strategy making process, using a lot of resources and producing a lot of plans, which are not very useful because of the markets the organisation serves. This is an unbalanced or mismatched approach because, markets served by this type of organisation, will be guaranteed business with, say, a local authority or much larger company that is the major or sole customer of the organisation. Hence, marketing may be seen as an unnecessary burden or that the organisation has aspirations to be a supplier outside the present circumstances but has not yet achieved this.

Thirdly, Simpson and Taylor (2002) introduce the marketing weak organisation (MWO), which requires marketing expertise and effort to maintain its market share and grow in the market it serves. Hence, marketing will be highly relevant for the organisation to survive in the longer term against existing competitors, but the organisation spends little time and effort on marketing activities. For example, such an organisation will have a very poor marketing effort and may, perhaps, have a sales orientation with a fixation on price rather than any other attribute of the product or service offered. The organisation will have no marketing department and have few or no staff able to formulate marketing strategy or carry out basic marketing tasks.

Interestingly, the authors provide two scenarios that can be associated with the MWO. The first scenario is with a truly ignorant and dysfunctional organisation where it is unaware of the benefits that marketing can offer and is struggling to maintain its position against its competitors. The second scenario is with an organisation that has no intention of growing and is content to remain small within its chosen market, or alternatively, has tried some marketing but has seen little or no reward for these efforts and has abandoned such marketing efforts, again, being content to remain small within its chosen market. Sometimes being small and less proactive can be used as a survival strategy when the managers feel they have no need to grow and that they are comfortable as they are.

The fourth firm is, the 'Marketing Independent organization' (hereafter, MIO), which Simpson and Taylor (2002) describe as firms that are able to operate without significant recourse to marketing activities due to the stability of their business environment and their own lack of ambition.[54] It is to be noted that a marketing independent organization is similar to a marketing dominated organization except that it has not been burdened with a big commitment to marketing. There is a balance because the organisation may have few aspirations beyond the present tied circumstances with the large customer and does not need to engage in marketing efforts to ensure survival. Hence, the role played by marketing is minor and the relevance of marketing is minor because competition is effectively absent altogether. The weakness of this approach is that the future of the organisation is directly linked to the future of its major customer and the organisation has no other strategy or resources to rely upon. This approach may have been acceptable in the past but since problems facing local authorities and other large organizations are growing, this may well lead to future difficulties.

Another key area of the small firms' marketing literature is one that graphically shows the growth of SMEs and their life cycles. Greiner (1972) and subsequently Adizes (1989) have been at the forefront of such studies. Writers, such as Churchill and Lewis (1983) and Scott and Bruce (1987), have also developed growth models but these have concentrated on a depiction of the business activities of small firms. Such models concentrate on the types of problems encountered and the subsequent business activities and marketing behaviour of the small business or owner-manager to overcome the difficulties.

Likewise, Carson[55] has incorporated the life cycle model and evolution concept to identify a four-stage evolutionary process of marketing in a small firm and suggests that these stages are "initial marketing activity", "reactive selling", "the DIY marketing approach", and "integrated proactive marketing". According to the author, a start-up SME's marketing will likely be characterized, by reactive marketing practices, in terms

[54] This means that the MIO does not rely upon marketing strategies or marketing initiatives to generate sales.
[55] Published in Bakre (1999).

of reactive to customer enquiries and market changes. As the business develops, much of the marketing will be characterized by experimenting or tinkering with a variety of marketing techniques, for example, the creation brochure or a visit to an exhibition. However, as the enterprise becomes established over a number of years, it will have developed its own marketing style and practice, which it has learned and shaped along the way- the enterprise will know what works for it and what does not. It is unlikely to accommodate wider or new marketing perspectives until it encounters a significant change of some kind, for example, a new market venture. In moving through the various life cycle phases, an SME will progress from what is sometimes an uncontrollable marketing circumstance to one in which it feels that every aspect of marketing it performs is controlled.

4.1.6 Marketing as a culture in small firms

Carson (1990), in a longitudinal study of small firms in the Belfast area, has made a strong contribution to the understanding of market practice in small firms and concludes that marketing is often seen as peripheral to small firms' requirements. This view is partly due to a credibility gap when the small firm obtains sales and profits without planning its marketing activities. Moreover, Stokes and Blackburn (1999) affirm that SMEs often give marketing a low priority compared to the other functions of their business and often regard marketing as something that larger firms do.[56] This support the evidence brought forward by Siu et al. (2003) that marketing does not enjoy supreme priority in corporate planning in Chinese small firms in either the UK or Hong Kong. Their findings further suggest that these small firms see marketing as being as important as production.

Moreover, Carson (1993) claims that small firms embark upon marketing in such a general and inappropriate way that it does not appear to have any significant impact on performance and as a consequence is not perceived to be useful. Indeed, entrepreneurs are not always receptive to marketing unless there is a need for growth/expansion, or

[56] It is to be noted that Stokes and Blackburn's (1999) findings differ completely from that of Siu et al. (2004) on page

profits/revenue level off or fall. In this perspective, Tzokas, Carter, and Kyriazopoulos (2001) explain that in the initial years of a new enterprise, growth often occurs without a formal and planned marketing effort and, as a result, owner managers believe that it is unnecessary to invest time and effort in formal marketing planning. In this respect, Carson (1993) declare that even if not all small businesses want to grow, all businesses need to adapt to changing environments and changing customer needs and marketing facilitates this process. There is evidence that small businesses failures can result from a lack of marketing, or poor marketing practice, including planning and implementation (Bruno and Leidecker, 1988).

4.1.6.1 Customer & competitive analysis

A number of studies have examined the ability of small enterprises to analyse customer needs and competitive offerings. In this respect, Donckels and Segers (1990) have examined the ability of new technology firms to identify market opportunities that will enhance regional growth potential. Their findings demonstrate a strong product orientation with thorough knowledge of markets and/or products that catered to specific market needs. Forrest (1990) has on the other hand investigated the use of strategic alliances to identify marketing opportunities in small technology-based firms. The results of his study reveal that the use of strategic alliances is a valid strategy to sustain and exploit a firm’s technological marketing competitiveness by enhancing market opportunities with the development and distribution of new products.

4.1.6.2 Small firms and market orientation

Other studies have considered identifying customer viewpoints and value propositions, which reflect market approaches to be adapted by organizations in the marketplace. Sarpong-Saffu (1991) has considered for example the market orientation of Street Pasta Stores in Papua New Guinea. Findings revealed that market constraints, such as product development, lack of competitiveness and distribution, impeded firm change. Brooksbank et al. (1992) considered marketing approaches and performance in medium-sized firms. It was determined that the marketing model, as developed for large companies, is neither entirely necessary nor applicable to the smaller firm. Moreover, in support of the above, Harris (1998) contends that in reality, the dimensions of market orientation may not be applicable in the small business sector. The theorist has examined the factors that impinge on the ability of small hotels in focusing on market trends and needs, i.e. market orientation and these include: an unclear view of the customer, contentment with the status quo, ignorance of market orientation, lack of competitive differentiation, limited resources, perceived inappropriateness and *short-termism*.

However, while Houston (1986) reported acceptance of the marketing concept was almost universal among successful large businesses, Carson and Cromie (1990) found that for small business operations, marketing expertise is often the last of the business disciplines to be acquired (if it is acquired at all). Savitt (1990) identified marketing as one of the five key factors that affect survival of the small business, and the most difficult for the operator to deal with. He reported that marketing was not understood by most owners and managers of small businesses, who typically defined marketing as either sales or physical distribution. Meziou's (1991) study of 176 presidents of small manufacturing firms reported that small firms are generally far more reluctant than larger firms to adopt the marketing concept. Unless the small business managers or owners have attended a formal marketing course or seminar, the marketing concept is still foreign to many of them. Kinsey's (1987) study of a sample of small businesses in Scotland indicated a nearly universal lack of a marketing approach to business operations.

Nevertheless, empirical studies[57] have shown that customer orientation is associated with successful Western smaller firms. Likewise, the qualitative study of Hogarth-Scott et al. (1996) has revealed that most of the small business founders in their sample have a good customer orientation and are keen to satisfy their customers' wants and needs. Moreover, they find that the nature of competitiveness of the markets in which the respondents operate is difficult to assess due to the SMEs' fairly limited research into the competition.

Similarly, Mezioci (1991) examined the extent to which the marketing concept had been adopted by small manufacturing firms. The findings of the study suggested that the marketing concept is part of the managerial philosophy of small business owner-

[57] Brooksbank et al., (1992); Moller and Anttila (1987); Weinrauch et al., (1991).

managers, which emphasizes customer satisfaction, that is, offering products that truly satisfy customer and price needs. According to Siu and Kirby (1998), this explains why many small firms appear not to have a strong marketing orientation.

Simpson and Taylor (2002) point out that a marketing orientation may only be relevant under certain business conditions. The business environment in which SMEs operate is dynamic and may well lend itself to a variety of approaches and strategies. In fact, it is so complex that many other strategies and orientations seem to be equally successful in SMEs (Huang and Brown, 1999; Carter et al., 1994). Consequently, there have been an increasing number of studies examining the various orientations that predominate in the SME setting. Without doubt, there are many other orientations or approaches that may be adopted by a firm.

In this respect, evidence from the UN/ECE Secretariat (1997) has shown that many SMEs are more product and technology oriented than they are market oriented. Peterson (1989) also found little acceptance of the marketing concept among a nation-wide sample of nearly 500 small business owners and managers. Instead, more than half of the respondents reported following either a production or sales orientation. This is in accordance with longitudinal study of 57 SMEs, Hill (1999) finds that SMEs are largely characterised by a sales orientation[58], that is, as these firms grow they seek to become more sophisticated at sales. In other words, it is sales and not marketing in the early evolution of SME development that are the foundation for the true trajectory of growth and development in SMEs. The interpretation here is that not only is a sales orientation a crucial area of SME strategy, but it is, as Comer and Dubinsky (1985) suggest, "the driving force behind many organisations today". In a similar vein, Siu and Kirby (1999a) find that successful Chinese small firms define marketing activities as being more sales or production-oriented in approach.

Similarly, a more recent study by Siu, Wenchang and Tingling (2004) indicate that while the higher performing Taiwanese SMEs give a higher priority to marketing than to other

[58] This has also been confirmed by Hill and Wright (2001).

business functions in corporate planning, they are still sales or production-oriented. Another interesting study is that of Siu (2000) who reveals that higher performing Chinese small firms in Hong Kong give a higher priority to marketing, particularly strategic marketing planning, than other business functions in their overall approach to business but many still remain sales or production oriented.

Ogwo's (1997) study gives further credit to the above, as his finds demonstrate that small businesses in Nigeria do not make wide use of marketing in their business operations and that they apparently adhere to a production philosophy. The author enumerates some factors responsible for this lack of attention to marketing in Nigeria, and possibly in other developing nations, namely: the prevailing environment of scarcity and the consequent dominance of a seller's market; government policies which protect emerging industry, with the effect of stifling competition; a lack of understanding of what marketing can contribute to business and economic growth, compounded by inadequate dissemination of marketing information; poor infrastructural facilities in Nigeria and other developing countries and; a shortage of individuals trained in modern marketing management.

- **Industry-specific market orientation in SMEs**

Theorists have affirmed that the way in which marketing is carried out is often determined by the industry environment in which the small firm does business[59]. For instance, in a stable market where customer needs undergo little change, there may be a lessened need for activities designed to continuously measure customer needs. Indeed, Bennett and Cooper (1979) declare that R&D expertise, may be a more important source of competitive advantage, than market orientation, in a technologically dynamic market. On the other hand, Houston (1986) observes that, in more competitively intense markets or low growth markets, firms must pay more attention to market-oriented firm activities to survive. Moreover, undifferentiated products sold to a homogeneous set of customers are less likely to experience the same customer satisfaction problems associated with complex products across a heterogeneous set of customers. Hence, it is believed that

[59] It is to be noted that this is in line with the point of view of Carson et. al (1995), who argue that one manifestation of this is how marketing can differ according to the industry in which it is situated.

extensive customer satisfaction monitoring and reaction systems may not be as crucial as in differentiated products industries.

Furthermore, Day and Wensley (1983) add that price-oriented, competitor-centered measures have drawbacks even in non-differentiated product markets. They explain that it is important in industrial commodity industries to compete on more than a price basis by strengthening buyer-seller relationships and providing superior service. Hence, a small firm with a high level of market orientation may secure a strong competitive advantage in a commodity product environment because most large firms respond to the very high level of price-oriented competitive intensity with an emphasis on cost-oriented activities. Accordingly, a market-oriented small firm may be able to achieve high customer satisfaction levels in a commodity market niche by putting emphasis on a superior service or a highly customized product application.

At the other extreme, Sheth (1999) has studied fragmented markets with differentiated products and differentiated customers. The author concludes that the driving force for competitive advantage in this sector is niching or ultra specialization. A high level of market orientation is henceforth necessary to implement a niching strategy effectively and to focus for R&D efforts effectively.

Market orientation is also critical because of the difficulty of developing and updating products in an environment with diverse and fast changing customer needs and buying motivations. Von Hipple (1982) concludes that this diversity makes “partnering” with lead customers especially difficult. Competitive monitoring and reaction to competitors is also difficult because of the pace of new product introductions and the diversity of types of competitive strategies. The complexity of specialty products also makes the customer satisfaction task more difficult because of quality control concerns.

However, Christensen and Bower (1996) have shown that in firms which pay too much attention to their customers, resource allocations favour incremental innovations demanded by existing markets to the detriment of more innovative products. Levinthal and March (1993) further explain that current customers place stringent limits on the strategies these firms can pursue, which lead to learning myopia that stifle creative response to emerging technologies and customer needs. Similarly, Martin (1995) declares that firms must not be market oriented in product innovation because it will lead them astray.

As a result, it has been argued that these firms need to build an entrepreneurship orientation to ensure a proactive and aggressive focus on innovations that meet emerging and unarticulated customer needs.[60] This is in line with Foxall (1984) who argues that alertness to market factors detailed market intelligence, and entrepreneurship insight to detect the emerging unfulfilled needs of customers are the major ingredients in product innovation. Webster (1981) and Zeithaml and Zeithaml (1984) further support the above arguments and view entrepreneurial orientation as essentially a more proactive marketing orientation. In this perspective, Hunt and Morgan (1995) affirm that such an orientation is needed to counter the tyranny of the market and to lead, rather than to be led by customers. In summary, Barrett and Weinstein (1998) and Hills and Laforge (1992) posit that a synergy is needed between entrepreneurship and marketing to attune to customer needs, develop innovative products to satisfy those needs, and implement profitable marketing programs.

4.1.7 The marketing and entrepreneurship relationship

Another group of marketing-as-a-culture studies has considered the interface of marketing orientation and the entrepreneurial orientation. The nature of the interrelationship between entrepreneur orientation and marketing orientation has been conceptualized in several ways; some researchers have focused on their commonalities, others have examined whether the two orientations are of the same construct and another branch of the literature have observed their differences.

Current research on market and entrepreneurship orientation has run in two different streams, with one branch of the management literature focusing on the entrepreneurship

[60] See Covin (1991); Martin (1995); Slater and Narver (1995) and Zahra (1993).

orientation and with another branch concentrating on market orientation (Atuahene-Gima and Ko, 2001). However, Hamel and Prahalad (1994) and Slater and Narver (1995) have advanced that this divergence in the literature, is counterproductive because it has been argued that a linkage between the two orientations is beneficial and that firms with combined high market and entrepreneurship orientations will outperform other firms.

In addition, marketing has much to offer the study of entrepreneurship (Murray, 1981; Hills, 1987) and likewise entrepreneurship can look to marketing as the key function within the firm, which can encompass innovation and creativity. Some have even gone so far as to argue that marketing shall be the home of the entrepreneurial process in organisations, while others have noted that firms having a stronger entrepreneurial orientation.[61] Murray (1981) suggest that marketing is the logical home for the entrepreneurial process in organisations because it is uniquely equipped and shall feel uniquely responsible for the redesign of the corporate resource base and its product market portfolio.

In this respect, Atuahene-Gima and Ko (2001) declare that since market orientation is an adaptive capability by which firms react or respond to conditions in the market environment and the entrepreneurship orientation is an environmental management capability by which firms embark on proactive and aggressive initiatives to alter the competitive landscape to their advantage, then a firm with an effective alignment of both orientations may have a better knowledge of its current and future customer, competitors, and other environmental conditions and thus greater overall adaptive and environmental management capability in meeting customer needs. Consistent with the preceding arguments, scholars[62] have suggested that an appropriate balance between market and entrepreneurship orientation is a primary factor in an organisation's performance, survival, and prosperity.

In this perspective, the authors propound that the market and entrepreneurship orientations are arrayed on a continuum from low to high, and that firms can be classified

[61] See in this end, Davis, Morris and Allen, 1991; Miles and Arnold, 1991; Murray, 1981.
[62] Hamel and Prahalad (1994) and Slater and Narver (1995).

into four distinct groups of firms. They argue that firms with high market and high entrepreneurial orientations are market/entrepreneurship-oriented firms and are mainly characterized by their leadership quality in the development of both market-driven and market-driving new products. For this reason, the new products are likely to have both pioneering technological and market advantages because these firms are equipped to solve the marketing and technical uncertainties associated with the development and marketing of such innovations (Hamel and Prahalad, 1994; Olleros, 1986).

The second group of firms is entrepreneurship firms, which are assumed to have high degrees of entrepreneurship orientation combined with low degrees of market orientation. As a result of such firms' lower market orientation, their product innovation processes are essentially technology driven rather than market driven. As a result, they place a high degree of emphasis on technological leadership, problem finding and are more likely to produce technologically advanced products (Foxall, 1984). Bennett and Cooper (1981) further add that these firms are likely to compete on the basis of their technological and engineering skills in the belief that successful innovation emanates from R&D rather than from the market.

Market-oriented firms, on the other hand, are those with high market and low entrepreneurship orientations. The higher degree of market orientation suggests that their product innovations are driven by customer needs rather than by the dictates of technology per se. With their focus being geared towards meeting expressed needs of customers rather than latent and unarticulated needs, they are likely to prefer to operate in stable and predictable environments to ensure safe adaptability. Hence, these firms are more likely to develop incremental new products rather than novel products that create significant market changes (Christensen and Bower, 1996; Bennett and Cooper, 1981; Slater and Narver, 1995).

Finally, firms that emphasize low degrees of market and entrepreneurship orientations are labelled conservative firms. These firms are internally oriented and are less aware of industry and market trends or consumer needs than any one of the other three types of firms. These firms are expected to be the least effective in product innovation among the four groups of firms because they have the lowest adaptive and environmental mgt capability to meet customer needs. The results of their study, have shown that market/entrepreneurship oriented firms have higher new product performance, as measured by both subjective and objective measures, and are more effective in the product innovation process in several respects than the three remaining firms. This is in line with Hart (1992) who stipulates that a high-high combination of any two orientations may yield performance outcomes superior to other combinations.

4.1.7.1 Entrepreneurship and Marketing: some similarities

As mentioned earlier, other writers like Hills and Laforge (1992) have drawn a number of distinct parallels between the entrepreneurship and the marketing disciplines. Indeed, it is argued that one important aspect of the marketing/entrepreneurship relationship is their many commonalities. Some have gone as far as to propose a two circle Venn diagram with the interface being a meaningful meeting of marketing and entrepreneurship. For example, both areas emphasize behavioral processes and innovation, share a common underlying philosophy pertaining to the market and customer[63] and draw from multidisciplinary theoretical foundations. In Collinson and Shaw's (2001) opinion, marketing and entrepreneurship have three key areas of interface: they are both change focused, opportunistic in nature and innovative in their approach to management. Moreover, Carson (1993) establishes that, equally, some of the skills required by the entrepreneurs are those required by competent marketing managers (for example, analytical, judgmental and positive thinking, innovation and creativity).

In addition, both areas involve the development of distinctive competence; both are all encompassing- marketing in terms of its models and entrepreneurship in terms of developing an entirely new venture (Hisrich, 1992); both areas are boundary spanning [64] (Barrett, Balloun and Weinstein, 2000) and require the assumption of risk and uncertainty

[63] Both marketing and entrepreneurship are based on the customer orientation with the customer being the focal point.
[64] The concept of boundary spanning describes job tasks or responsibilities beyond the traditional managerial area.

(Hills and Laforge, 1992); and both are driven and affected by environmental turbulence.[65]

In this respect, Becherer and Maurer (1997) have examined that the organizational co-orientations of marketing and entrepreneurship in a setting where respondents are entrepreneurs who create the climate and structure of a company. The researchers find that partial support for the role of the both environment hostility and environmental turbulence in influencing the relationship between a firm's marketing and entrepreneurial orientation. The results of their study also reveal that the marketing and entrepreneurial orientations are correlated more highly under conditions of high environmental hostility. According to the authors, a possible explanation may revolve around the type of pressure each environmental condition presents and the appropriate strategic response. The threat posed to the firm by a very hostile environment may require a high degree of coordination of marketing and entrepreneurial activities by the entrepreneur if the firm is to survive. This is in line with Murray (1981) who posits that an entrepreneurial orientation is crucial for an organization's long-term survival in a competitive environment and that marketing is uniquely equipped to manage the interdependence between a firm and its environment.

- **Entrepreneurship and marketing: same construct**

Other researchers have focused on whether a marketing orientation and an entrepreneurial orientation are the same or whether they represent different and unique environmental responses (Miles and Arnold, 1991). For instance, Hills and Laforge (1992) argue that not only do the scope and orientations of marketing and entrepreneurship as academic disciplines overlap, but the activities and behaviours of entrepreneurs and marketers also converge.

This is in contrast with Miles and Arnold's (1991) results, which reveal that the marketing orientation and entrepreneurial orientation correlate positively with each other

[65] This is in line with Morris and Paul (1987) who suggest that both the marketing orientation and the entrepreneurial orientation are interrelated strategic responses to environment uncertainty.

but they do not however represent the same underlying philosophy. Similarly, Morris and Paul (1987) report, for a sample of 116 CEOs of companies with 100 or more employees, a correlation between marketing and entrepreneurial orientation of 0.24 ($p < 0.03$). Moreover, Smart and Conan (1994) find a very strong relationship between entrepreneurial orientation and distinctive marketing competence. Thus, entrepreneurial and marketing orientations appear to be related but distinct constructs.

4.1.7.2 Entrepreneurship and marketing: some differences

However, while the marketing and entrepreneurship have some core-intertwined elements that are sufficiently strong to give coherence to the notion of the interface, it also allows differences to be present. Hisrich (1992) argues that while for entrepreneurship, the focus is on innovation and independence, marketing is much of the time duplicative with companies merely following a successful established pattern in such areas as advertising appeal, product design, sales promotion techniques and distribution.

Entrepreneurship and marketing are also divergent in the area of internality and externality. For instance, entrepreneurship is much more internally oriented, that is, all the internal aspects of the venture must come together in order for a launch to be successful. One condition is the nature and level of the technology involved. Companies with products at a higher technological level tend to have less understanding of marketing than less technologically-based companies[66]. Similarly, industrial product companies tend to have fewer interfaces with marketing than do consumer-goods companies. Another condition affecting the relationship is the degree of market acceptance of the product. Market-driven companies tend to have a better marketing/entrepreneurship relationship than those that are technology-driven (Hisrich, 1992).

Moreover, Omura et al. (1993) have postulated that the differences are between traditional marketing which operates in a consistent environment, where market conditions are continuous and the firm is satisfying clearly perceived customer needs and

[66] It is to be noted that this is in line with Atuahene-Gima and Ko's (2001) model, especially with the second group of firms, i.e., entrepreneurial firms.

pure entrepreneurship which operates in an uncertain environment, where market conditions are discontinuous and the needs of the market are as yet unclear.

Additionally, Tzokas, Carter and Kyriazopoulos (2001) propound that the entrepreneurial decisions are inherently informal whereas marketing decisions are inherently formal; entrepreneurial decisions are haphazard, creative, opportunistic and reactive, whereas marketing decisions are sequential, systems oriented, disciplined and structured; an entrepreneur's time span is short term, whereas marketing time spans are both short term, medium term and long term. Lastly, in contrast with market orientation, entrepreneurship orientation can be described as a learning and selection mechanism that engenders exploratory, risk-seeking behaviours in the product innovation process (Lumpkin and Dess, 1996; Miller, 1983).

4.1.8 Approaches to small firm marketing

As reviewed earlier, many proponents have claimed that conventional marketing, usually developed for the larger firm, is not necessarily suitable to the smaller enterprise (Carson et al, 1996). Indeed, much of the fairly limited literature in respect of small firms' marketing points to a brand of marketing which is unique to small firms[67]. This is line with Scase and Goffee (1980) who argue that SMEs pursue a distinctive marketing approach that is distinguished by an inherent informality in structure, evaluation and implementation, and by being restricted in scope and activity, simplistic and haphazard, product and price oriented.

4.1.8.1 Entrepreneurial marketing

Research findings have has prompted some writers to conclude that marketing within the smaller firm can often be viewed as an integral part for managing entrepreneurial activities. In this respect, this has given birth to a newer stream of research studies described as "entrepreneurial marketing" (Hill and Wright, 2000; Kohli and Jaworski, 1990). The main thrust of entrepreneurial marketing is an emphasis on adapting

[67] Carson *et al*. (1995); Mackintosh and Tynan (1994); Carson (1993) and Carson and Cromie (1989).

marketing to forms that are appropriate to small and medium-sized enterprises (SMEs), as it acknowledges the likely pivotal role of the entrepreneur in any marketing activities.

Collinson and Shaw (2001) put forward a condition for entrepreneurial marketing to be successfully adopted by a firm. They require that the organisational culture be such that it supports a different style of management from the very structured and formal approaches often advocated in the management literature. This argument brings support to the above literature, which stipulates that the way SMEs manage their companies is completely different from the one prescribed by management theorists. More explicitly, studies based on entrepreneurial marketing have recognised a style of marketing behavior that is driven and shaped by the owner manager's personality. Kohli and Jaworski (1990) suggest indeed that "entrepreneurial marketing" is merely the implementation of the marketing concept and is reflected in the activities and behaviors of an organisation. Henceforth, it can be inferred from such a suggestion that the central maxims of marketing concept implementation are manifest in the small firm context.

- **The relationship between entrepreneurial marketing and the marketing/entrepreneurship interface.**

Hill (2001) has made the distinction between entrepreneurial marketing and the marketing and entrepreneurship interface. He claims that entrepreneurial marketing defines the role of the entrepreneur as "fundamental" in marketing and organisational activities, so that flexibility in marketing was important to suitably adapt its principles and practices to the activities of SMEs. In contrast, he argues that marketing-entrepreneurship emphasises the importance of marketing and its pivotal role in helping to transform the entrepreneurial activities of SMEs into effective and competitive businesses.

- **Entrepreneurial marketing and conventional marketing**

The first of these is that the process of managing entrepreneurial marketing differs from the process of managing regular approaches to marketing. One key reason is that in situations where entrepreneurial marketing is practised, it commonly takes place within a fluctuating and changing environment which restricts opportunities for engaging in the marketing planning process, typically adopted when planning regular marketing activities (Carson et al., 1995). Within such environments, if time is taken to engage in a rigorous planning process, by the end of that process it is likely that market conditions will have changed sufficiently to render any decision resulting from this process as no longer relevant. Instead, the management of entrepreneurial marketing involves a shorter decision-making process, which is often preceded by little formal planning.

A second theme considers the position which marketing holds within the organisation. Within entrepreneurial organisations marketing tends to be adopted as the guiding organisational philosophy and the organisation orientates its activities around the customer and marketplace. It can be argued that entrepreneurial organisations are characterised by their marketing orientation, even though they often do not have an identified marketing department and individual responsible for the marketing function. This is because for entrepreneurial organisations, a closeness with the marketplace, often made possible by their smaller size, leads to a keen sense of customer needs, wants and demands without the need for investment in expensive and time consuming market research or designated marketing departments (Stokes, 1995).

A. The entrepreneurial marketing process

The model built by Stokes (2000) stipulates that the entrepreneurial marketing starts with innovation and then moves to identifying customer needs, which is achieved through a bottom-up process of elimination, rather than deliberate segmentation, targeting and positioning strategies. This is followed by an active approach of marketing communications, especially with the use of word of mouth marketing. The fourth and final stage is informal information gathering through networking, and then the cycle continues.

The purpose of this conceptualisation is to indicate that it is possible to develop different marketing practices, which play to entrepreneurial strengths. For example, a bottom-up targeting process has advantages over the top-down approach for new ventures. It requires fewer resources and is more flexible and adaptable to implement. It does have corresponding disadvantages, which correspond to some of the marketing problems of small businesses. Yet, it is less certain of success because it is over-dependent on reactive rather than proactive marketing strategies. It takes longer to penetrate the market to full potential, resulting in a limited customer base. Still, many successful entrepreneurial firms have found niche markets or gaps in larger markets through this process.

However, Stokes' (2000) model has been criticized by Mankelow and Merrilees (2001) who argue that the former's work is defined more as a model of entrepreneurial marketing for men. Indeed, the most striking difference between the two models is that Mankelow and Merrilees' model for rural women starts with opportunity seeking, while Stokes' model starts with innovation. Moreover, their female oriented view of entrepreneurial marketing is more demand-driven, in that it is driven more by marketing opportunities upfront.

It has been argued that entrepreneurial marketing also relies heavily on word-of-mouth marketing to develop the customer base through recommendations. According to Arndt (1967), word-of-mouth involves face-to-face direct contact between a communicator and a receiver, whereby the receiver is perceived to be independent of the product or service under discussion. Likewise, reliance on word-of-mouth marketing is no bad thing for many entrepreneurs as it is more suited to the resources of their business. Referrals incur few, if any, additional direct costs; most owner-managers prefer the slow build-up of new business which word-of-mouth marketing implies because they would be unable to cope with large increases in demand for their services. However, word-of-mouth marketing also has disadvantages, namely; it is self-limiting – that is, it relies on networks of informal communications and so organisational growth is restricted to the limits of those networks. Moreover, if a small business is dependent on recommendations for new customers, its growth is limited to those market areas in which its sources of recommendations operate. Additionally, it is also thought that networks are non-controllable, meaning that entrepreneurs cannot control word-of-mouth communications about their firms. As a result, some perceive there to be few opportunities to influence recommendations other than providing the best possible service. In practice, however successful entrepreneurs find ways of encouraging referrals and recommendations by more proactive methods.

B. Entrepreneurial marketing management competencies

Consideration of parameters like the nature and characteristics of entrepreneurs has enabled the postulation of a set of marketing management competencies that appears to be more suited to effective and/or superior marketing management decision-making in the SME context. This is in concurrence with the findings of Smart and Conant (1994) which reveal that business people with higher entrepreneurial orientation report greater possession of distinctive marketing competencies. As such, given that the personal characteristics of the owner-manager are such a dominant influence, the marketing management of a small enterprise will depend greatly on the marketing competency of the owner (Stokes, 2000). This led Carson et al. (1995) to describe entrepreneurial marketing in terms of the experience, knowledge, communication abilities and judgment of the owner-manager as key competencies on which marketing effectiveness depends.

1. The experience competency

The experience competency is the most significant competency in the spectrum and it is one that permeates and characterises competence in every aspect of SMEs' activities. However, even if it is seldom articulated, the presence of such a competency is unquestionable in that it underpins every comment and action in the market place and much of what actually happens in SMEs in both a strategic and operational sense. The key assertion, therefore, is that experience is a foundation level competency without which competent marketing cannot occur. Such an assertion encapsulates the earlier assertions of Luckmann (1982) and Schon (1983), and actually develops the conclusion of MacLaren *et al*. (1997) that a management practitioner's ability must be seen as encompassing his total experience insofar as it can be drawn on for understanding and action.

Carson et al. (1995) found that the experience competency is usually evident in relation to a particular field of business-knowledge of who the main players are, for example. A more important aspect of the competency in relation to marketing is apparent in a high level of entrepreneurial confidence that individual's wealth of experience enables them to predict how customers may react in certain circumstances, whether favourably or unfavourably. This type of expression of a key competence is refreshing in that it illustrates something more than an awareness of experience, being indicative of an ability to use, enhance and enrich experience through proactive marketing activity.

2. The knowledge competency.

Knowledge here refers in particular to knowledge of products and service ranges, markets, competitors, industry activity, emerging market trends and customers. Typical SME entrepreneurs are highly competent to discuss their individual product ranges or to elaborate on each market segment in which they operate. Generally, they are also competent in discussing markets, not only in geographical terms but also in terms of product usage and the breakdowns of each individual product line. Moreover, they will be very conversant with competitors and competitor activity.

Evidence also indicates that entrepreneurs often give importance to possessing the knowledge competency through an expression of their own shortcomings in aspects of marketing such as promotion or setting prices. It is furthermore suggested that such individuals feel less competent to take marketing decisions or engage in marketing activities in these areas about which are less knowledgeable.

3. The communication competency

Communication is another essential competency for entrepreneurial marketing. The competency can be viewed from two dimensions of communication in the SME context, that is, internal and external dimensions. Internally, the competency of communication is typically evident in the emphasis on staff and levels of staff awareness, staff confidence and entrepreneurial confidence. Externally, the key indicators of entrepreneurial style marketing communication emphasize customers, markets, suppliers, competitors and, of course, the formal actors of the entrepreneur's personal contact network[68].

Generally, entrepreneurs place a high degree of emphasis on the need for good communications internally and externally. It is observed that differences in the degree of emphasis are usually detectable though, and it is thought that they are generally dependent on the background of the individual entrepreneur. Those entrepreneurs who exhibit a strong sales orientation place more importance on external communications, especially those with customers. Others place a high value on internal communications and typically emphasize the need for healthy interaction with and among their staff. Such SME owner/managers believe that this proactive use of internal communications leads to improved business performance through better staff relations and see good internal relations as a mechanism for gathering vital information on key activities, for key marketing decisions and to stimulate innovation.

Finally, it can be asserted that communication is vital in relation to the whole process of entrepreneurial marketing decision-making. It can be argued, however, that when one considers the nature of communication in respect of SME marketing activities, it may depend on a range of component skills – like for example, knowledge, confidence, the ability to listen and to use simple and uncomplicated language, and the ability to use experience, judgement and knowledge. These sub-elements of the communication competency are notable; recognising their existence is important in that such an understanding of competency makeup and building blocks can be used to aid entrepreneurial self-development of expertise.

4. The judgement competency

The judgement competency is another crucial in the entrepreneurial marketing management decision-making processes. Pye (1991) believes that much management

[68] Discussed in Section 1.0.

success is dependent on sound judgement. This assertion builds on the recognition of Hogarth (1987) that judgement, as a competency, is sacrosanct. Indeed, entrepreneurs make marketing decisions based on a high degree of personal judgement (Carson et al., 1995). This competency is usually detectable in relation to marketing decisions affecting issues such as opportunity analysis, customer dimensions, product ranges and levels of service provided. Inherent in this competency, for example, is the ability to identify a market opportunity and to be able to assess such an opportunity in the light of scarce company resources and perhaps to weigh up this opportunity against other attractive alternatives that might present themselves.

For many entrepreneurs however, judgement in respect of marketing decision-making seems to come as second nature, based on hunch, intuition and experience from finding themselves in similar circumstances over a number of years in the business. Therefore, SME entrepreneurs often exhibit high levels of product knowledge when it comes to making decisions about product modifications, for example, or customising products or services for particular clients.

Therefore, it can be seen that judgement is closely related to the competency dimensions of experience and knowledge discussed above and many combinations of and interrelationships between these competencies are frequently evident and reflected through the manifestation of this particular competency in the marketing decisions of entrepreneurial SMEs.

5. Other predominant competencies

Apart from the four competencies discussed above, the literature also pinpoints other entrepreneurial marketing management competencies that seem to be evident in the SME marketing activity.

For instance, Carson et al. (1995) points out motivation as part of vital entrepreneurial marketing management competencies. The writers argue that entrepreneurs are a highly motivated group and that this motivation manifests itself as job satisfaction, confidence, stamina, commitment, energy, a positive attitude and an unusually high level of task orientation in relation to performance of marketing activities. Moreover, Collinson and Shaw (2001) stipulate that entrepreneurial marketing is characterised by responsiveness to the marketplace and a seemingly intuitive ability to anticipate changes in customer demands. Because of this, the ability to collect market information, which is pertinent to the continued achievement of organisational goals on a regular, almost daily basis is imperative and is an important competency for the entrepreneurial marketing manager.

Research shows that with fewer financial resources and restrictions on the time available to engage in market research, entrepreneurial organisations make excellent use of the networks of relationships in which they are embedded. Specifically, relationships with buyers, suppliers and others along the supply chain and in the immediate micro environment are used to identify which information, within a constantly changing environment is relevant to their success and must be regularly collected and understood.

4.1.8.2 Relationship Marketing

Concurrent with the changing views about management practices in innovative organizations, studies have been directed towards examining how firms can orchestrate internal resources and processes to create and sustain customer loyalty. Collectively, this new orientation, which has both American (Berry, 1983) and Nordic roots (Gummerson, 1987) and which is often proposed as a solution to the critique that most marketing theories and approaches appear to be more suited to large companies rather than smaller enterprises[69] is relationship marketing.

In a similar vein, Zontanos and Anderson (2004) establish that in any case, most small firms seem to use a relationship approach to marketing. This also corroborates McKenna’s (1991) point, that relationship marketing, with its focus on adaptability and responsiveness is also the quintessential aspect of entrepreneurship. The reason behind these assertions is based on the very fact discussed earlier, that a small firm’s marketing advantage, in contrast to a large firm, is precisely these close relationships between the

[69] See for example, Coviello et al. (2000).

entrepreneur and customers.[70] Since small firms are reputed for a narrow customer base and that customers are usually concentrated in a local market (Weinrauch et al., 1991), which is often translated into shorter lines of communication between the enterprise and its customers. Entrepreneurs consequently often know their customers personally and the result of such close relationship interaction leads to benefits including customer loyalty and higher levels of customer satisfaction (Carson, 1985). Another aspect that helps cement the relationship between the entrepreneur and the customer is the flexibility of the small firm, as small firms are usually more flexible in responding to customer inquiries (Carson et al., 1995).

- **Relationship marketing: the definition**

As propounded earlier, Berry (1983) is among the first to introduce the term “relationship marketing” as a modern concept in marketing. He stresses that attracting new customers shall be viewed only as an intermediate step in the marketing process and that developing closer relations with the customers and making them loyal are equally important aspects of marketing. Others, like Cardwell (1994), gives credit to Berry (1983) by declaring that a company’s very survival will depend on their moving closer to the customer, fully understanding customer needs and wants, building a relationship and thus developing an attitude of consistent customer dedication. Relationship marketing focuses almost entirely on the buyer-seller relationship, which has been likened to a marriage (Dwyer *et al*., 1987; Levitt, 1993). This focus tends to ignore the role of other elements within distribution channels and the part that other stakeholders play in the building and management of long-term customer relationships.

McKenna (1991) also provides a useful overview of relationship marketing. He emphasises on the need of putting the customer first and shifting the role of marketing from manipulating the customer, to genuine customer involvement. In addition, Jones (1996) views relationship marketing as the process of developing long-term, win-win relationships with not only valued customers but also with distributors, dealers and suppliers. This is in line with Gronroos (2004) who establishes that the relationship-marketing perspective is based on the notion that on top of the value of products and/or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider. An on-going relationship may, for example, offer the customer security, a feeling of control and a sense of trust, minimized purchasing risks, and in the final analysis reduced costs of being a customer.

A. The relationship marketing process

As most definitions imply, relationship marketing is first and foremost a process. All activities that are used in marketing have to be geared towards the management of this process. Hence, no marketing variables are explicitly mentioned in these definitions. As regards Grönroos' definition, the process moves from identifying potential customers to establishing a relationship with them, and then to maintaining the relationship that has been established and to enhance it so that more business as well as good references and favorable word of mouth are generated. Finally, sometimes relationships are terminated either by the supplier or by the customer (or by any other party in a network of relationships), or they just seem to fade away. The supplier or service provider must also manage such situations carefully. As the Gummesson definition implies, the relationship process includes interactions that form relationships, which may be developing in networks of suppliers, distributors, and consumers or end users.

The focal relationship is the one between a supplier or provider of goods or services and buyers and users of these goods or services. Relationship marketing is first and foremost geared towards the management of this relationship. However, in order to facilitate this, other stakeholders in the process may have to be involved. If marketing is to be successful, other suppliers, partners, distributors, financing institutions, the customers' customers, and sometimes even political decision makers may have to be included in the management of the relationship in a network of relationships (Gummesson, 1999; compare also the six markets concepts in Christopher *et al*., 1991).

A shift of focus in marketing decision making from the transaction toward a process where a relationship is built and maintained has important effects on central marketing areas, such as organization, planning, organizational development and the measurement of success in the marketplace (Grönroos, 1999; Brodie *et al*., 1997). As this process becomes as important for the customer as the outcomes, for example, in the form of goods and equipment, the nature of the product concept changes. The product as the outcome of a production process is basically a transaction-oriented construct. In a relationship perspective physical goods and equipment (products) become a part of the process together with other element such as a host of services. In the best case these services enhance the value of the products as with just-in-time deliveries, prompt service and maintenance and customer-oriented and timely service recovery. In the worst case scenarios, for example, in situations of delays in deliveries, or unsuccessful maintenance and unclear documentation about the use of equipment that has been bought, they damage or altogether destroy their value.

Customers do not only look for goods or services, they demand a much more holistic offering including everything from information about how to best and safest use a product to delivering, installing, repairing, maintaining and updating solutions they have bought. And they demand all this, and much more, in a friendly, trustworthy and timely manner. Moreover, the core product is less seldom than the elements surrounding the core the reason for dissatisfaction. As Webster (1994) exemplifies, "the automobile purchaser is unhappy with the car because of lousy service from the dealer; the insurance customer has problems with the agent, not with the policy". What Levitt (1983b) concluded already in the early 1980s about what should accompany the sale of the mere product, "having been offered these extras, the customer finds them beneficial and therefore prefers to doing business with the company that supplies them", is very much true today. By and large, customers are more sophisticated and better informed than ever and therefore more demanding. Moreover, the increasing global competition offers customers more alternatives than ever before.

- **Key features of relationship marketing**

(i) Communication

In transaction marketing, marketing communication, including sales, is a central component. Marketing communication is predominantly mass marketing, however with a growing element of direct marketing. Sales are a directly interactive element of the communication process. In the field of marketing communication a new trend towards integrating communication elements such as advertising, direct marketing, sales promotion and public relation into a two-way integrated marketing communications perspective has emerged in North America during the 1990s (Schultz *et al*., 1992; Schultz, 1996; Stewart, 1996). Integrated marketing communications are clearly influenced by the relationship perspective in marketing. “As we are committed to two-way communication, we intend to get some response from those persons to whom the integrated marketing communications program has been directed. We adapt the customer's or prospect's communication wants or needs and we begin the cycle all over again. This is truly relationship marketing at its best” (Schultz et al., 1992).

Sometimes, communications researchers seem to treat integrated marketing communications using various means of communications in an integrated manner almost or totally as a synonym for relationship marketing. However, in transaction marketing effective marketing communication about a bad or inappropriate product does not lead to a good result. By the same token, if the customers’ interactions with products and services and other elements in the contacts between buyers and sellers are bad and create a negative communication effect, effective integrated marketing communications as a purely communications program does not develop lasting relationships. Hence, integrated marketing communications is not the same as relationship marketing, but clearly, it is an important part of a relationship marketing strategy (Duncan and Moriarty, 1999). If relationship marketing is to be successful, an integration of all marketing communications messages is needed to support the establishment, maintenance and enhancement of relationships with customers (and other stakeholders). Consequently, the integrated management of marketing communications activities, regardless of the source of communication messages, is required in relationship marketing.

(ii) ***Interaction***

In a transaction-oriented approach to marketing, the product is the core of the marketing mix. There must be a product so that decisions can be made about how to distribute it, how to promote it, and how to price it. However, the product exists at one given point of time; it does not evolve in an on-going relationship. Hence, the product as the core construct has to be replaced with a long-term construct that fits the nature of relationship marketing. The relationship approach puts customer processes, or rather the internal value-generating processes of customers, not products, at the center of marketing. To be successful, the supplier or service provider has to align its resources, competencies and processes with the customer's value-generating processes. This being the case, interaction evolves as a concept, which takes the place of the product concept. It has been developed as one key construct in services marketing and in the network approach to industrial marketing as well, and has been taken over by relationship marketing.[71] Thus, as the exchange of a product is the core of transaction marketing, the management of an interaction process is the core of relationship marketing. In this process, a supplier of goods or a service firm represented by people, technology and systems, and know-how interact with its customer represented by everything from a single consumer to a group of buyers, users and decision makers in a business relationship. Sometimes, more parties in a network may be involved in the interactions (Gummesson, 1996).

Planned communication messages and programs may prompt interactions, but for a commercial relationship to develop successful interactions have to follow. A dialogue between the supplier or service firm and its customers only emerge from value-enhancing interactions. Only planned communication activities easily lead to parallel monologues,

[71] This is the concept of interactive marketing developed by Gronroos (1984). He proposed that in service firms there exists three marketing tasks which he describes as external marketing (the normal formal processes associated with the management of the 4Ps), interactive marketing (the activites which occur at the buyer-seller interface), and internal marketing.

where the two parties never actually meet and get access to what is shared or common between them. A dialogue process is required for a sharing and even creation of knowledge among the parties to occur.

(iii) Value

One recent research stream in marketing is related to customer perception of value created in on-going relationships (Ravald and Grönroos, 1996). The importance of adding a relationship aspect in studies of customer value has also been demonstrated, for example, by Lapierre (1997), Payne and Holt (1999), Tzokas and Saren (1999), Collins (1999) and Wilson and Jantrania (1994). In the interaction processes, a value base is transferred to and also partly created together with customers, and in the final analysis, the ultimate perceived value for them is emerging in the customer processes. Thus, if the supplier or service provider manages to successfully align its resources (physical product elements, service elements, information and other resources of various kinds) and competencies with its customers' internal processes, in these processes this value base is turned into customer perceived value. This creation of value should be supported by marketing communication before and during the interaction process of the relationship. Therefore, a value process is needed to demonstrate how the customer indeed perceives the creation of value over time. When all three processes are in place and well understood, one has a good part of a theory of relationship marketing.

However, the value process also has another aspect. Before the development of elements of the interaction process and of the dialogue process, the marketer must develop an understanding of the customer's internal process, which the solution provided, by the seller should fit. The customer has needs but also a process whereby these needs are fulfilled by an organizational customer. Hence, it is not enough to understand the needs of customers, one must also know how they strive to achieve the results required to fulfill these needs. This can be labelled the customer's value-generating process (Grönroos, 2000a; compare also Storbacka and Lehtinen, 2000). Moreover, one must know the value[72] systems of the customer that guide this internal need-fulfilling and value-generating process. If the firm does not understand this aspect of the customer's value systems and value-generating processes (this process could also be labeled the customer value chain), products, services, information and other elements of the interaction process cannot be developed and offered in a satisfactory way, and value for the customer cannot be created successfully.

4.1.8.3 Marketing by networking

Networking is a naturally inherent aspect of SME owner-manager decision making, particularly those decisions relating to marketing. This is in line with Gilmore et al. (2001) who state that the SME marketing in practice is thought to be largely done through networking or a combination of transaction, relationship, interaction and network marketing (Brodie et al., 1997). Evidence from Silin (1972) Yau (1988) and Wong (1988, 1991) have demonstrated that owner-managers in China believe that success will not be solely influenced by marketing, but what are also deemed important are trust, creditworthiness and the establishment of social networks. Such findings concur with that of Collinson and Shaw (2001) who argue that while it has been established that many entrepreneurial organisations do not conform to the marketing strategies practised by their often larger, more inflexible competitors, research has found networks contribute to the product, pricing and promotional decisions of entrepreneurs. By accessing market information from their personal contact networks, entrepreneurs are able to keep informed about and identify market opportunities and respond to these in innovative ways, often involving the development and introduction of new products. Related to this, once demand for a product or service is established by an entrepreneur, research has revealed that by fostering informal relationships with customers, products can be continually reviewed and modified to ensure that they consistently meet the needs, wants and demands of their customers. Thus, SME are doing marketing through their natural

[72] Examples of such values are an interest in preserving the rain forests, in recycling waste, in minimizing stocks, in creating a manufacturing process with a minimum of ecologically harmful effects, and in keeping standstill costs at a minimum.

and inherent networking activity, through all their normal communication activities, such as interacting and participating in social, business and trade activities.

Marketing by networking is done through PCNs, carried out with people with whom the owner-manager has had a relationship – either in the past or currently. The way in which marketing by networking is carried out is often pre-determined by industry behaviours and norms through regular or irregular meeting occasions and industry activities or in just doing business. The frequency and focus may vary depending on the nature of the markets in which the company operates; for example, international networks may be more focused than domestic networks because of the need to plan ahead, whereas contact with domestic markets may be more frequent than with international markets because of convenience. Some characteristics of "marketing by networking" are that it is based around people-orientated activities, informal, often discreet, interactive, interchangeable, integrated, habitual, and can either be passive or proactive. This is line with Liu and Brookfield (2000) who find that Taiwanese owner-managers do not often use formal commissioned research, but they tend to rely on their personal contact networks, use offline and informal communications in information gathering and collect subjective information by themselves.

For SME owner-managers, the costs of networking are implicitly hidden because any explicit costs or expenses are low in the immediate term. For example, the cost of networking will include minor expenses such as a club or trade membership, the cost of dinner at trade functions, or the cost of entrance fees to exhibitions. Therefore owner-managers do not consciously need to consider the cost of this "intangible", difficult to access and measure aspect of their marketing activity as opposed to the more tangible, easier to measure aspects of conventional marketing activity. This inherently fits comfortably with SME owner-managers' way of doing business.

4.1.9 Marketing planning in small and medium-sized enterprises

The benefits of planning are enormous for the small firm owner. Essentially, the marketing plan helps to identify needs and wants of consumers and to determine demand for a product or a service. It also aids in the design of products/services that will fulfill consumers' needs and helps to identify competitors and analyse the small firm's competitive advantage. Moreover, the marketing plan contributes to the identification of new product/service areas, as well as new and/or potential customers and it also allows for test to see if strategies are giving the desired results. In addition, Perry (2001) suggests that SMEs using sophisticated planning activities may enhance their chances of survival and success.

It follows from various studies[73] that the management style in small firms often means that there is little or no marketing planning and that many small business failures result from deficiencies in marketing. According to various studies, only one third of start-up entrepreneurs create a comprehensive marketing and financial plan and those who do increase the probability of venture success. Scase and Goffee (1982) explain this phenomenon by arguing that generally life in the small firm is based on day-to-day survival rather than following a well thought-out marketing plan (see also Bronislaw and Waart, 1988). It could be argued that such a reactive style has even been among exporters where it may be assumed that there will be a more systematic approach to marketing (O'Rourke, 1985 and Keng and Jiuan, 1989). Hogarth-Scott et al (1996) provide an explanation to this state of affair. They argue that the chief executive of a large enterprise has a number of specialists in planning, finance and marketing, all reporting to him. In a small business on the other hand, the owner has to be the generalist who can see both where the business is going and at the same time look after the operational details. [74] As such, planning for the future, which is necessary for the survival of the firm, has to be

[73] For instance, Bruno and Leidecker (1988) and Cromie (1991).
[74] This point of view supports that of Bird (1989) and that of Hogarth-Scott et al. (1996)- in this end see section marketing as a culture-, who states that successful entrepreneurs are those who are able to juggle many activities and roles at the same time that is they are generalists.

considered after the essential day-to-day matters have been dealt with (Stanworth and Gray, 1991).

There have been a large number of research studies into the relationship between planning and organisational effectiveness. However, the studies have provided mixed results, with some researchers confirming a positive relationship (Ansoff, 1969; McDonald, 1989; Unni, 1981), or no consistent relationship between the two, (Lindsay *et al*., 1982; Wood and La Forge, 1979). Hence, the idea that a company's performance improves as a consequence of engaging in a planning process and applying well known marketing decision making techniques has not proved easy to confirm conclusively. Greenley and Bayus (1993), for instance, have carried out a comparative study between firms in the United States and the United Kingdom. The findings of the study show how practitioners perceived marketing decision-making techniques to be of little value to them in helping to make key marketing planning decisions.

Nevertheless, in a study carried out by Rue and Ibrahim (1998) on the relationship between sophisticated planning and performance in 253 small businesses in Georgia, the results clearly show that SMEs, with greater planning sophistication, also experience greater growth in sales as reported by executives. Additionally, Hill (2001b) has demonstrated that SMEs are engaged in fairly sophisticated marketing planning, with many committed to three year marketing plans. His data indicates that not only do firms engage in planning but that a particularly dominant aspect of planning was the issue of control and review of their activities, via formal reporting systems.

Hill (2001) stipulates that several reasons are offered to explain this shift towards an increased marketing orientation in such firms. First, most of the widely cited studies looking at marketing planning in small firms have been carried out in the 1980s, and those that have been conducted in the early and mid 1990s have tended to draw heavily on previous work, seeking to replicate or confirm the findings of such work rather than subject it to critical analysis.

Moreover, today small firms are more likely to be populated with graduates with substantial theoretical knowledge of the tools and techniques of formal marketing. These graduates bring to SMEs new knowledge and put into practice the systems of planning that they have acquired. In addition, the typical constituents of an SME's formal network (such as bankers, accountants and financial backers) demand that SMEs produce formal plans that outline the direction in which the company is heading. They refuse to lend money unless there is evidence of an ongoing and realistic commitment to marketing planning. These two factors have impacted significantly on the marketing practices of such enterprises

There are of course many small firms that do not engage in formal planning but the overwhelming evidence is that these are fast becoming the minority. This conclusion supports the assertion of Matthews and Scott (1995), that not only do small firms plan, but entrepreneurial firms engage in even more sophisticated planning. In a similar vein, Stokes (1995) observes in his description of the marketing paradox, that on the one hand, marketing is regarded as the preserve of the large firm yet small firms are often the personification of the marketing concept.

4.1.10 Marketing information system in small and medium-sized enterprises

The survival capacity of SMEs depends on their ability to anticipate and adapt to change (Lesca and Caron, 1994). In an increasingly complex and turbulent environment, firms that maintain and increase their performance are those who favour changes (Jacob, 1993). The owner/manager of SME must therefore be proactive and seize any information in order to act more rapidly than competitors and to benefit from market opportunities. He must mobilize and motivate the sales personnel, insure the loyalty of existing clients, identify the needs of prospective clients, and monitor the present and eventual competition (Serraf, 1977).

In this regard, marketing information systems are deemed to play a critical role in the success of a firm. They will provide information needed by the firm to efficiently and effectively manage its commercial function, and to attain or maintain a competitive advantage (Cox and Good, 1967). Yet in the case of SMEs, the marketing information systems can often be limited to data collection from customers by sales representatives or to a systematic and periodic analysis of published secondary data (Raymond and Brisoux, 2000). This is in line with Eldon's (1997) study which indicates that 51% of the 153 sampled firms have some of marketing information system, and that most of the managers questioned associate the system to reports, databases and to documentary research. Yet, Hiam and Schewe (1992) also reported that while the marketing information system was also computerized in large firms, this was far from being the case in SMEs.

- **SMEs and their sources of information: From a marketing perspective**

Small business managers must decide where and how to get the information they need to successfully manage their business. Evidence from studies[75] has demonstrated a critical need for small business managers to obtain accurate and timely information about their markets, including the motivations, preferences, and behaviours of their customers and competitors (Callahan and Cassar, 1995). This need, according to Schafer (1990), is driven by intensifying levels of competition and contracting life cycles of products and services. To make appropriate strategy decisions; it is essential that small firm top managers have a good understanding of the nature of critical market factors in current and alternative markets in order to develop an understanding of the critical competences needed to survive in these markets. The small business manager in Pineda et al. (2003) distinguishes among various sources of information when making decisions. According to the authors, he seeks out information from personal sources (her judgment and her own research efforts) – called internal sources here- and from external sources, which encompass expert sources (expert advice and industry standards), and other external sources (like competitors, customers and employees).

A. Internal sources of information

As with most small business managers, they rely very much on their own knowledge and expertise to make decisions. The small business manager clearly perceives the tradeoffs

[75] See Brush (1992); Brush and Vanderwerf (1992).

between the benefits and costs of using personal sources of information (Pineda et al., 2003). He actively uses his personal judgment and conducts personal research whenever he sees that the difference between the benefits and costs of doing so are substantial. Whenever he is facing an important decision, Pineda et al.'s (2003) findings suggest that he readily sees the benefits associated with using personal judgment and research given its low costs. Personal judgment and research can be relatively cost free not only because it is highly accessible to the manager but also if he believes that he has adequate expertise to make a positive decision outcome, he does not have to expend energy or resources to seek outside sources or risk the cost of making a poor decision.

Additionally, Raymond and Brisoux (2003) identify some other internal information sources used by small firms. These are: sales personnel, other managers, production personnel and internal databases. Moreover, Eldon's (1997) study reveals that as regards the information available to the marketing information system, many SMEs depend on their accounting data as their most important internal data source, especially on customers. Yet, because SMEs are less likely to have specialist internal departments, such as patent departments and large internal libraries (Court, 1997), the jobs in an SME are often of a more multi-disciplinary nature. Such a multi-disciplinary nature however will cause the knowledge of each individual working in the SME to be less specialized (Radcliffe, 1994). This reduced specialisation and the limited availability of internal contacts, makes the search for information outside the company important.

B. External sources of information

i. Marketing intelligence systems

Personal contacts networks: Eldon (1997) has rightly drawn a word of caution by pointing out that compared to large enterprises; SMEs do not have many information sources. Yet, even if this is the case, Hogarth-Scott et al. (1996) stipulate that if one visits many of these firms and persuades the owner/manager to discuss his business, one will often be amazed by the depth of knowledge that many of these individuals have accumulated about their market, customer needs and the strengths and weaknesses of their competitors. According to Carson et al. (1995), this is due to small businesses' high participation in PCNs.[76] Consequently, entrepreneurs can access vital, timely and inexpensive market information, which allow them to use to make better-informed marketing decisions. Smeltzer et al. (1988) have shown that managers prefer such informal sources of information as discussions with customers and family members over materials published in trade journals or information obtained from business professionals such as economists or accountants. [77]

Blessing and Parker (2000) found that although percentages differ, the fact that personal contacts are the most important source was found in various studies. In this regard, Johnson and Kuehn's (1987) study has showed that small business managers rely more on their personal contacts than on economic, governmental or technological sources. This may be explained by the fact that SMEs prefer informal contact to formal information systems and would rather listen and discuss than read. This is in line with Radcliffe and Harrison[78] who found that staff in SMEs relies on informal, verbal and "on-the-corridor type" communications.

Sales representatives also constitute a source of information, both secondary (e.g. sales reports) and primary (e.g. participation in focus groups) (Hermann, 1995) since they deal directly with customer. Fann and Smeltzer (1989) found that a majority of owner-managers obtain information very informally, by observing and analyzing their competitors' products, and by exchanging with customers and salespeople. These authors also noted that small firm managers emphasize direct oral communication, and routinely scan their customers and competitors. Being more preoccupied with external information, the latter also gather information from commercial fairs, competitors or other participants in their industry (Lehtimaki, 1991).

Networking with competitors: In this regard, O'Donnell and Cummins (1999) add that trade associations provide the ideal forum for owner-managers to come together and

[76] PCNs discussed in *Section 3.6.4.3*.
[77] It is to be noted that Carter and Jones-Evans (2000) and Smeltzer et al. (1988) contradict Gorelick's (1993) beliefs.
[78] Cited in Radcliffe (1994)

gather information about their competitors and to keep themselves abreast of developments within the industry at large. Many of the owner-managers interviewed claimed to know their competitors personally, and stated they would have no hesitation in contacting them for help or advice. In addition, a high level of co-operation existed among competing firms in the same industry. This may appear strange, and unusually altruistic, but there were often deeper motivations at work, such as collaboration to prevent work going to a company outside the domestic market, from whence it may never return; or giving work to competitors in anticipation that they will act in a similar way, if and when the opportunity arises.

ii. Marketing research systems

Formal studies: Callahan and Cassar (1995) have investigated the importance of formal market research for small businesses. First of all, formal market research has been shown to provide important competitive information that is not always available from other sources (Schafer 1990; Smeltzer et al, 1988). Second managers who have performed market research recognise that the benefits of these studies are most often greater than the costs (McDaniel and Parasuraman, 1985). Gorelick (1993) has drawn attention on a number of less obvious benefits that accrue to managers who undertook research. For example, he argues that it is the who customer can only accurately define the quality of either a product or a service and that without reliable feedback from customers, the manager cannot have an accurate definition of quality. Similarly, informal conversations with customers, friends, or family members about their present or future buying needs can be contaminated with bias by the manager, who hears what the manager wants to hear, or by friends or relatives who allow their personal feelings to colour their feedback. For these reasons, Gorelick (1993) believes that formal market research on customer satisfaction and perceptions of quality represents the most bias-free and useful form of feedback available to small business owners.

Chaston and Mangles (2002) have also examined the issue of market research in existing small businesses and argue that a very tiny proportion of owner/managers purchase market research reports on their sector of industry or use techniques such as focus groups or surveys to gain a detailed understanding of customer attitudes. Other major reasons why formal market studies are not common among small business managers have been described by Andreasen (1983).[79] According to the author, small business managers express the belief that because of its costs, marketing research is feasible only when facing a major decision. Callahan and Cassar's (1995) results are supportive of the above, and have shown that successful entrepreneurs do not apply formal research methods; they prefer more informal methods of gathering market information; usually through networks of contacts involved in the industry (Carson et al., 1995).

Informal:

McDaniel and Parasuraman (1985) have reported that 60% of the small business owners/managers in their study have not conducted a formal marketing study in the past three years. Furthermore, Hisrich and Peters (1992) have stated that one of the biggest advantages for the small firm is precisely the easy access to market information since they prefer face-to-face communication.[80] This concurs with Carter and Jones-Evans (2000) who declare that entrepreneurs choose "conversational" relationships in which they can have contact with the customers, can listen and respond to them, rather than undertake formal market research to understand the marketplace.

4.1.11 Information analysis and processing

While SMEs can be very active in their search for external information, using a variety of sources and means to this end, they often lack the capacity to process and analyze this information (Rice and Hamilton, 1979; Bruch, 1992; Julien et al., 1996). Dubois (1979) found that the information is generally operations-oriented and not organized in a way that allows it to be used for strategic decision-making. Also, when some strategic, aggregate information is available, it may not be rigorously interpreted, as the central role and involvement of the owner manager implies a high level of subjectivity (Hills, 1985).

[79] This corroborates Pineda et al.'s (2003) findings, which stipulate that the entrepreneur is more likely to seek information whenever he deems a decision to be important. The researchers further add that his choice of where to get this information, however, seems to be affected by his perception of how effective he is in a particular decision area. This is in line with what has been said above in regards to the entrepreneur relying very much on his own knowledge and expertise to make decisions.

[80] Stokes et al. (1997) argue that the ability to gather and use information in this manner is a critical advantage over a large firm.

As such, a limited capacity to control their environment and interpret available information often brings about decision crises in SMEs (Fallery, 1983). Finally, Kinsey (1987) found that a number of his respondents simply admitted being incapable of making sense of the information coming from the market.

Certainly, an area where owner/mangers have faced criticism over the years is over their approach to the acquisition, storage and utilization of information to support decision-making within their organizations. Accountants complain about startup firms that store their financial records in shoeboxes or plastic shopping bags. They also express frustration over the fact that even long established small firms will not develop management accounting systems capable of assisting the determination and resolution of business problems.[81] Similarly, academics interested in issues such as information or marketing management have strongly articulated the view that an investment in the creation of a management information system will significantly improve the operational performance of a small firm.

Malone (1985), for example, stipulates that a management information system will act as a core resource that can enhance the activities of analysis, planning, plan implementation and control. Furthermore, the researcher concludes that an information system (IS) can improve the quality of decision-making in small firms. Moreover, the declining costs of computer hardware and software have caused many academics to strongly support the view that a small firm can gain additional benefits from investing in the development of a computer based MIS to guide future operations. In the same vein, Bergeron and Raymond (1992) are confident that computer based information systems will give small firms a new source of competitive advantage. Additionally, Pollard and Hayne (1998) conclude that because a large firm can acquire a competitive advantage from a computerised MIS, then small firms should also exploit information technology (IT) to achieve the same strategic goal.

[81] This is in sharp contrast with the results of Raymond and Brisoux (2003) who found the presence of accounting software (accounts receivables/payables, general ledger, billing) in all SMEs sampled in their study, as well as financial (analysis, forecasting) and manufacturing management software (production planning, procurement, order entry) in approximately 70 to 80% of the cases.

Raymond and Blili (1998) observe that in an increasingly complex and turbulent environment, mastering information technologies (IT) has become a critical success factor for modern organizations. The impact of IT on business firms is such that they can profoundly change the way in which they communicate, both internally and externally, enable the reengineering of business processes (Raymond et al., 1998), as well as support strategy-making and managerial decision-making (Choffray and Lillien, 1986; Higby and Farah, 1991; Raymond and Lesca, 1995). Thus, IT can affect customer service, operations and production, and marketing strategies in terms of communication and distribution. These technologies also facilitate the acquisition, processing and analysis of information (Salern, 1997). In regard to IT, Raymond and Brisoux (2003) found that 70% of the sampled firms have an Internet link, but only 40% operate a local area network.

- **Information diffusion**

The less formal structure of the SME affects the circulation of information. Small firms usually lay a lot of emphasis on direct and interpersonal relations in matters of information (Hermann, 1995). In this sense, certain authors note that an SME must be defined from the point of view of its social relations, based on immediacy and directness, as opposed to functional and mediated relations in the large enterprise (GREPME, 1997). Thus, informal discussions are primary means of communication in the SME (Kohli and Jaworski, 1990). Raymond and Brisoux (2003), for example, found that only 20% of the sampled firms confirm the existence of formal procedures established to disseminate marketing information in their firm. As for the personnel participating in the information collection, analysis and diffusion process, the individuals most often involved are the marketing manager, salespeople and representatives, and the owner-manager. Moreover, Eldon (1997) notes that many SMEs do not use electronic means to communicate between organizational units or departments, and few use electronic mailing to disseminate information.

4.2 Part 2: Marketing Strategy

Marketing strategy has its roots in the basic concepts of marketing and strategy. Marketing strategy was probably used the first time that two humans engaged in trade, i.e., an "arm's-length" transaction. Certainly, early civilizations, such as the Babylonians, the Chinese, the Egyptians, the Greeks, the Romans, and the Venetians, had developed marketing strategies for their trading activities.

Modern discussion of marketing strategy can be traced back to a discussion of marketing management by Lyon in 1926. Marketing management was perceived as the business function that developed marketing strategy. Lyon argued that marketing management involves ongoing planning of a company's marketing activities in response to the constantly changing internal and external conditions. More recently, McDonald (1996) has described marketing strategies as the means by which the company's marketing objectives will be achieved. Similarly, Kotler and Armstrong (1996) describe marketing strategy as the marketing logic by which the business unit hopes to achieve its marketing objectives. Fifield (1998) further adds that it is a long-term activity, which consists of translating the organisation's business objective and business strategy[82] into market activity. Foxall brings more precision to the definition and relates the term to the section of the marketing plan that indicates how each element of the marketing mix and their subdivisions will be used to achieve marketing objectives.

McDonald (1992) has focused on the purpose of developing such strategy and declare that it is to establish, build, defend and maintain competitive advantage.[83] In a similar vein, Jain and Punj (1987) argue that marketing strategy development is about devising the means by which the company can effectively differentiate itself from its competition,

[82]The same author defines business strategy as how the key decision making unit of the organization is going to marshall its resources in order to achieve its stated business objective.
[83] There is no common definition of the concept of competitive advantage, but traditionally in the field of strategic management, competitive advantage has been defined as a firm consistently earning a higher rate of return than its competitors (Grant, 1991; Schoemaker, 1990).

by capitalising on its strengths to provide better value to its customers over time. This is consistent with Cravens (2000) who posits that marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to customers. Yet, Brownlie and Spender (1995) add that such strategy requires managers to deal with issues that involved a high degree of uncertainty and ambiguity. As such, the development of marketing strategy necessitates both a comprehensive analysis of internal and external environments and a synthesis of useful information (Mintzberg, 1994a; 1994c).

This is in line with Day and Wensley (1988) who state that marketing as a strategy is based on a careful analysis of customers and competitors, and of the firm's resources and skills for competing in a specific market. Cravens (1993) has, on the other hand, segregated marketing strategy into three distinct stages. He argues that the first procedure consists of a deliberate analysis of the environmental, competitive and business factors that are supposed to affect business units and to forecast future trends in business areas that are of interest to the enterprise in question. Secondly, he declares that there is then a need to participate in setting business objectives and in formulating corporate and business unit strategy. Lastly, the author postulates that the third step is to select target market strategies for: the product-markets in each business unit, establish marketing objectives, and develop, implement and manage program positioning strategies for meeting target market needs. Similar to Cravens (1993), Webster (1981) has also categorised marketing as a strategy into different components, namely; market segmentation, targeting and positioning, and on defining how the firm is to compete in its chosen businesses.[84]

4.2.1 The concept of "strategy"

The word 'strategy' has become one of the most common but misinterpreted words in business writing. As Mair (1999) explains, numerous perspectives on strategy and numerous definitions of the term 'strategy' exist. The use of the word strategy has arisen

[84] This is in concurrence with Romano and Ratnaga (1995) who note that the above three categories of marketing strategy places emphasis on achieving competitiveness in pursuing such strategies.

when it has became apparent to management researchers that, in sharp contrast to economic models of perfect competition, companies that are engaged in the same activity, and using the same technology, often perform differently.

Porter (1996) argues that the essence of strategy is choosing to perform activities differently from rivals, which requires creativity and insight. This is in line with Wickham (1998), who claims that strategic decisions are generally broad, encompassing details about product range, market scope and competitive approach. Fifield (1998), on the other hand, has given a concise definition of strategy by declaring that the latter refers to means and not ends that will help an organisation achieve its objectives; it refers, hence to the direction and scope of an organisation over the long term (Wickham, 1998). Similarly, Mullins, Cardozo, Reynolds and Miller (1992) consider the term 'strategy' as a pattern in a stream of decisions that guides an organisation's ongoing alignment with its environment and shapes internal policies and procedures.

Researchers[85] have proposed that the strategy formation process is not a simple rational exercise but reflects experimentation, exploration, intuition, instinct and learning. In the literature on strategy management, writers have argued that effective strategic decision making depends on the nature of the environment, whether it is stable or unstable (Fredrickson and Mitchell, 1984). However, Fifield (1998) argues that the role of strategy is to put the business theory in action and help the firm to achieve desired results despite the environmental unpredictability. This corroborates Ireland (2001) who perceives a strategy as a pathway to move a concept or an idea from the inventive state to the actual positioning in a competitive environment or as a roadmap to the planned result (Thompson and Strickland, 2001).

Besanko et al. (2000) among others[86] further argue that overall strategy forms a basis for success of the firm. This supports Mia's study (1996) that advocates that failure to adopt appropriate strategies to deal with competition could lead to the deterioration of business

[85] Mintzberg and Waters (1985) and Hayashi (2001).
[86] Baker, Addams, and Davis (1993) and White (1998).

performance. Sahlman et al. (1999) point out that entrepreneurs can benefit by using strategic management tools and techniques, such as: market analysis, SWOT analysis, strategy development, resource allocation plans, development of business, action, financial plans, and a crisis plan.

However, Williams and Tse (1995) assert that it is quite unlikely that entrepreneurs use the same formal techniques as large companies and that they pursue “realized strategies” as opposed to “intended strategies”. For example, Osborne (1995) states that unmet marketplace needs are the principal inspiration of entrepreneurial strategy. He goes on and says that while novel, breakthrough ideas sometimes lead to huge rewards; the majority of entrepreneurs launch businesses that modify an existing product or service in a way that satisfies a previously unmet need. The author further enumerates the essential elements of entrepreneurial strategies, that is, the entrepreneur must have the prerogative and resources to initiate risk-bearing actions and also that the focus must be on innovatively linking the firm′s business concept with opportunities discovered in the environment: customers, competitors, technology, public policy, social trends and demographic patterns.

4.2.1.1 Strategic Planning

In the planning school of thought, the term ‘strategy’ is usually defined as a formal plan, where planners perform a detailed analysis of the company, its product-market and its environment (Lambkin, 1997). Porter (1990) broadens the remit of a strategic approach by including intangible aspects as well as tangible factors, and by referring to strategic planning as a description of the configurations of the collection of discrete and interconnected economic activities. O’Regan and Ghobahian (2002) argue that this is a valid point, as a strategic approach needs to consider experiences, emotions, “gut feeling” and other variables in addition to the structured assessment based on the availability and analysis of information. Kotler and Amstrong (1996) state that strategic planning is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing marketing opportunities. They further declare that strategic planning relies on defining a clear company mission, setting supporting company objectives, designing a sound business portfolio and coordinating functional strategies.

Strategy planning is, in fact, the hard task of selecting an overall company strategy for long-run survival and growth. This corroborates Zimmerer and Scarborough's (1996) definition of strategic planning, which states that it is a process that helps to forecast the future and prepare for the future, and which is beneficial for firm growth. However, this is to be contrasted with Redding (1982) who suggest that Chinese owner-managers deny the need to calculate and plan for the future. Pettigrew and Whipp (1991), moreover, state that strategic planning is not just a matter of formulation and deployment; it also includes how people interpret and deploy the strategic plan. Research by Bourgeois et al. cited in Dean and Sharfman (1996) shows that deployment can have a significant influence on the final outcome and effectiveness of strategy. Additionally, Porter (1987) states that strategic planning cannot be separated from implementation. This is consistent with the views of Beer et al. (1990), which suggest that any drawbacks in the strategic planning process relate to deficiencies in its implementation. This shortcoming in the success of deployment is also shown in a report by Deloitte & Touche (1992), which suggests that eight out of ten companies fail to deploy their strategies effectively. It can henceforth be argued that there is little purpose in having a range of visions, goals, aims and objectives, if there is no attention given to how they can be deployed effectively.

- **Strategic Planning models**

The history of strategic planning has its origin in the military. It is defined in the Webster's New World Dictionary, as "the science of planning and directing large-scale military operations, of maneuvering forces into the most advantageous position prior to actual engagement with the enemy" (Guralnic, 1986). Although our understanding of strategy as applied in management has been transformed, one element remains key: the aim to gain a competitive advantage.

Taking its name and roots from the military model, earlier models of formal strategic planning "reflected the hierarchical values and linear systems of traditional organizations.

Undertaken by elite planning function at the top of the organization, its structure was highly vertical and time-bound. A certain period would be set aside to analyze the situation and decide on a course of action. This would result in a formal document. Once this was done, the actual work of implementation - which was considered as a separate, discrete process – would begin" (Wall & Wall, 1995).

Currently, there exists a multitude of strategic planning models that apply to business (Bean, 1993; Goodstein, Nolan & Pfeiffer, 1992; Jauch & Glueck, 1988; Porter, 1982; Rowe, Mason, Dickel, & Snyder, 1989). For instance, the SWOT analysis model dominated the strategic planning literature of the 1950s, then the 1960s brought qualitative and quantitative models of strategy. During the early 1980s, the shareholder value model and the Porter model became the standard. Subsequent newer models of strategic planning were focused on adaptability to change, flexibility, and importance of strategic thinking and organizational learning. "Strategic agility" is becoming more important that the strategy itself, because the organization's ability to succeed "has more to do with its ability to transform itself, continuously, than whether it has the right strategy. Being strategically agile enables organizations to transform their strategy depending on the changes in their environment" (Gouillart, 1995). The most predominant models of the strategic planning theory are described briefly below.

a. The SWOT analysis

SWOT analysis identifies factors that may affect desired future outcomes of the organization. Its model is based on identifying the organization's internal strengths and weaknesses, and threats and opportunities of the external environment, and consequentially identifying the company's distinctive competencies and key success factors. These, along with considerations of societal and company values, lead to creation, evaluation, and choice of strategy. SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation (Andrews, 1980, Christensen et al., 1982; Hax & Majluf, 1996; CSUN strategic planning leadership retreat, April 1997; Hill & Jones, 1992).

b. The Ansoff model

In Igor Ansoff's model, "strategy ... is designed to transform the firm from the present position to the position described by the objectives, subject to the constraints of the capabilities and the potential" of the organization. This model specifically stresses two concepts. *Gap analysis* is designed to evaluate the "difference (gap) between the current position of the firm and [its] objectives." The organization chooses the strategy that "substantially closes the gap." *Synergy* refers to the idea that firms must seek "product-market posture with a combined performance that is greater than the sum of its parts," more commonly known as "2+2=5" formula (Ansoff, 1965, in Mintzberg).

c. Porter's Five Forces model

The five forces model developed by Michael E. Porter guides the analysis of organization's environment and the attractiveness of the industry. It was developed to provide a framework that models an industry as being influenced by five forces. The five forces include the risk of *new competitors* entering the industry, threat of potential *substitutes*, the bargaining power of *buyers*, the bargaining power of *suppliers*, and degree of rivalry between the *existing competitors* (Porter, 1985). Environmental scan identifies external opportunities and threats, evaluates industry's overall attractiveness, and identifies factors contributing to, or taking away from, the industry attractiveness (Hax & Majluf, 1996). Through organization's choice of strategy it can alter the impact of these forces to its advantage.

4.2.1.2 Strategic Planning and the small firm

Strategic thinking is even more important for small firms in this time of global competition, technological change and increased dynamics in markets. Indeed, strategic planning and systematic decision-making can be considered a key determinant of survival and success of small firms, as contented by many leading entrepreneurships textbooks[87].

[87] See Stevenson et al. (1998), Hisrich and Peters (2001) and Timmons and Spinelli (2003).

Osborne (1995) has emphasised that the planning process refines the creative concept and strengthens the entrepreneur's capacity to execute. Wickham (1998) has been more explicitly on the benefits of strategic planning; indeed he states that strategic planning forces the entrepreneur to think about open business questions and search for solutions, and also encourages him to learn and make improvements. Johnson (2002) also adheres to this view as he argues that strategic planning can aid thinking and decision-making. O'Gorman and Cunningham (1997), moreover, advocate that planning helps entrepreneurs anticipate change in the environment, deal with investors and attract funds.

Empirical studies[88] have indeed contended that successful SMEs are generally more aware of the existence of strategic planning tools and also make greater use of them in planning their activities. For example, Rue and Ibrahim (1996) note that small family firms in Georgia engage in more planning than previously thought, with other half of their sample reporting written long range plans. Likewise, Upton, Teal and Felan (2001) have focused on the strategic and business planning practices of growth-oriented family firms and have found that the majority of fast growth family firms do express their vision and plans to achieve in written form and prepare formal business plans with a three-year or longer planning horizon. Moreover, Zimmerer and Scarborough's (1996) findings have revealed that successful small firms use to a large extent advanced planning and activity analysis. Additionally, Sexton and Van Auken (1985) have undertaken a longitudinal study of 357 small firms in Texas over a four-year period. Their findings reveal that failure rates among firms with high-levels of formalized planning are significantly lower than among firms that have little or no formal planning.

Still despite such views, the empirical evidence supporting the case for formal planning having a benefit to small firms has been both inconsistent and contradictory (Pearce, Freeman and Robinson, 1987). For instance, a major study of small firms in the USA found that a formalised strategic planning process has some benefits (Lyles et al.,

[88] Jones 1982, Bracker and Pearson 1986, Bracker et al. 1988.

1993).[89] On the other hand, Schwenk and Schrader's (1993) examination of 14 research studies relating to formal strategic planning and performance in small business has been unable to offer conclusive support to the benefits of such planning to small firms. However, their study has rejected the notion that it is appropriate only to large firms.

Mintzberg and Waters (1985) are among the proponents that have questioned the value of formal planning to entrepreneurs because the latter operate in intense, uncertain and high-pressure situations which means that, when conditions of uncertainty prevail, small firms will focus on doing, instead of engaging in formal strategic planning. In a similar vein, Matthews and Scott (1995) add that it is also the resource constraints of both small and growth-oriented entrepreneurial firms, which prevent them from maintaining planning activity in the face of increasing uncertainty. Bhide (1994), as a result, suggests that in such circumstances actions tend to be based on intuition. Indeed, empirical evidence[90] demonstrates that entrepreneurs are rarely strategists who focus on the long term and act according to rational principles; instead they act on instinct, intuition and impulse.

It further follows from Shrader, Mulford and Blackburn (1989) that formal strategic management procedures applying to the large enterprise may not necessarily be relevant and applicable to the small enterprise. This is in line with Robinson and Pearce (1984) who argue that formal strategic planning is more appropriate within larger firms and is of limited benefit to the financial performance of small business. Bhide’s (1994) findings pointedly reveal that most entrepreneurs and small businesses do not base their success on business plans, because they tend, to a large extent, not to formulate them. The survey carried out by Andersen (1997) on 3033 family business demonstrates that 69% of the sample had no written strategic plan.

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[89] As a summary (Lyles *et al.*, 1993, p. 42) state that the elements of goal formulation, developing distinctive competencies, determining authority relationships, deploying resources, and monitoring implementation receive more effective attention when small businesses engage in formal planning

[90] Kets de Vries (1990), Bhide (1994), Brouthers, Andriessen and Nicolaes (1998) and Allinson, Chell and Hayes (2000)

Mintzberg's (1994) also finds that small family-oriented firms prefer privacy, and that planning may be neglected because it requires sharing what might be considered confidential information. Other studies[91] have explained that planning is informal, scanty and perfunctory[92] in the sense that strategies are not written down and that they are short-term in orientation (Gilmore, 1971). More recent findings from Wei and Christodoulou (1997) further concur that of Gilmore's, since the former find that successful Taiwanese SMEs do not engage in long-term strategic marketing planning. Additionally, Mazzarol (Undated) postulates that too many small business owner-managers suffer from strategic myopia, a condition characterised by a shortsighted focus on the daily operational matters that the ownership of a small firm demands. It is henceforth important for small business owner-managers to develop strategic thinking skills that allow them to stand back from the mundane and look holistically at their business and its environmental context.

In addition, Bhide (2000) finds that formal planning among successful entrepreneurs was rare, at least in the early stages of their business development. Only 28 percent of the successful entrepreneurs, whom he studied, had prepared a full-blown business plan prior to the launch of their new venture. Forty-one percent had not prepared any formal plan at all and 26 percent had only a rudimentary "back of the envelope" plan (Bhide, 1994). The researcher claim on the other hand that, what is important, is the ability of the entrepreneurs to "hustle", using their selling skills and communications ability, to secure strong market positions in industries where possession of proprietary assets were not the main basis of competition.

4.2.2 Overall marketing strategies

Once the firm has chosen a market segment it must choose a generic competitive strategy. A number of researchers has indeed focused on the grouping of strategies into typologies, finding that there is a limited number of identifiable strategies, each of which involves a different pattern of competitive position (Hofer and Schendel, 1978).

[91] For example, Miller and Toulouse (1986) and Behara and Gundersen (1995).
[92] Robinson and Pearce (1984).

Shaw (2002) states that choice of an overall marketing strategy will be dependent on a number of factors, such as the organization's strengths and weaknesses, environmental opportunities and threats, industry trends and competitive conditions. Undeniably, all firms, even in the same industry grouping, do not respond to the operating environment in the same way (O'Regan and Ghobahian, 2005). For example, some firms may "anchor their reactions primarily to the behaviour of other firms that are strategically similar to them" (Garcia-Pont and Nohria, 2002). The four competitive strategies discussed below are; the market dominance strategies popularized and employed by Kotler (1994) and Porter (1980; 1985), Porter's Generic strategies, innovativeness strategies and aggressiveness strategies developed by Miles and Snow (1978).

4.2.2.1Market dominance Strategies

Market dominance is a measure of the strength of a **brand**, **product**, **service**, or **firm**, relative to competitive offerings. There are several ways of calculating market dominance with the most direct being market share. However, market share is not a perfect proxy of market dominance and so companies must take into account the influences of customers, suppliers, competitors in related industries, and government regulations. As such, most business strategists categorize market dominance strategies in qualitative terms. Typically there are four types of market dominance strategies that a marketer will consider: the market leader, the market challenger, the market follower, and the market nicher.

a. The market Leader

Many industries contain one firm that is the acknowledged market leader. This firm has the largest market share in the relevant-product market, and usually leads the other firms in price changes, new product introductions, distribution coverage, and promotional intensity. Some of the best-known market leaders are Kodak (photography) Microsoft (computer software), Intel (microprocessors), Procter & Gamble (consumer packaged goods), Caterpillar (earth-moving equipment), Coca-Cola (soft drinks), McDonald's (fast food), and Gillette.

Although the market leader would be likely to be innovative, customer-friendly and reputable, it need not necessarily score highest in the market on any one of these. Most commonly, the leader is subject to continual attack, although from different quarters and with different strategies. Three strategic directions are appropriate for the market leader: expansion of the total market, expansion of market share and defence of market share. Typical dangers for the leader lie in discontinuous technological change, dissatisfied customers, fragmentation and losing market share to new ventures.

b. The market Challenger

The role of the challenger in competitive terms is to surpass the leader. The challenger may not necessarily be the next biggest share holder in the marketplace, and, indeed, there may be several challengers at any one time. The distinctive feature of the challenger is that it pursues an active strategy of becoming market leader. Challengers attack and their basic strategic objective requires an aggressive approach. Three fronts are open to the challenger: he can target the leader directly in a potentially high-payoff, but high-risk, approach; he can attack competitors of its own size in a bid to win their business and indirectly focus on leadership; and/or he can attack small and regional competitors with the same objective. Porter (1985) identifies three basic conditions for a successful attack on the market leader: the challenger must have a sustainable competitive advantage; he must be able to neutralize the leader's other advantages; and there must be some impediment to the leader's retaliating.

c. The market Follower

The follower is not necessarily an "also-ran" in the field. In industries where opportunities for differentiation are limited and where price sensitivity is high, there can be a real attraction to the position of follower. The follower may deliberately eschew the costs associated with product design and market development in favour of slipstreaming and copying another market player, often the leader. It denotes an imitative, rather than strictly innovative, approach. The follower is a broad-based market participant, whose purposeful concentration is on looking after the long-term interests of its customers, as opposed to focusing on a special or a narrow range of issues. The follower's opportunities for success are increased when it remains successful just below the leader's or competitors' reaction threshold. Conversely, the follower is susceptible to attack by challengers engaged in a strategy of engaging the leader indirectly through taking over other competitors.

The main strategies open to the follower include cloning, which involves close imitation; copying, which involves replicating other market products, but with just enough differentiation to avoid retaliation; and adapting, which involves taking other market products, but marketing them in different markets or segments to avoid direct confrontation.

d. The market Nicher

The critical success factor for the nicher is in carefully defining and successfully targeting a market segment where it specializes in serving the needs of those customers. Long-term, strong relationships are central to this approach. The major difficulty of a niche strategy is that of the niche disappearing, or being invaded by a bigger, more resourceful, competitor. The main strategic tasks are to create, expand and defend niches.

4.2.2.2 Porter generic strategies

Michael Porter, on the other hand, has assessed strategy on the dimensions of strategic scope and strategic strength. The notion behind Porter's topology is that the rivalry among substitutable products is the key determinant of a firm's competitive strategy (Miller, 1988).

a. Cost Leadership

The first generic strategy identified by Porter (1980) is that of overall cost leadership. In order for a firm to pursue this strategy, the firm must be *the* low-cost producer while remaining the technological leader. The firm has a broad scope and serves many industry segments, and may even operate in related industries. The sources of cost advantage are varied and dependent on the structure of the industry. Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether.

Firms that succeed in cost leadership often have the following internal strengths: they may have access to the capital required to make a significant investment in production assets, which represents a barrier to entry that many firms may not overcome; they may also have skills in designing products for efficient manufacturing or possess a high level of expertise in manufacturing process engineering.

Yet, a cost leader cannot ignore the bases of differentiation. If its product is not perceived as comparable or acceptable by buyers, a cost leader will be forced to discount prices well below competitors' to gain sales and this may nullify the benefits of its favourable cost position.

b. Differentiation

Companies that adhere to a differentiation strategy achieve market success by offering a unique product or service. They often rely on brand loyalty, specialized distribution channels or service offerings, or patent protection to insulate them from competitors. Because of their uniqueness, they are able to achieve higher-than-average profit margins, making them less reliant on high sales volume and extreme efficiency. For example, a company that markets proprietary medical devices would likely assume a differentiation strategy.

Firms pursuing such strategy are often known to have the following internal strengths: they may have access to leading scientific research; be highly skilled and creative product development team; have a strong sales team with the ability to successfully communicate the perceived strengths of the product and have a good corporate reputation for quality and innovation. However, the risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes.

c. Focus

The focus strategy, on the other hand, concentrates on a narrow segment and within that segment, attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. An example of a company that might employ a niche strategy would be a firm that produced floor coverings only for extremely upscale commercial applications.

Due to their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, it is found that firms pursuing a differentiation-focused strategy[93] may be able to pass higher costs on to customers since close substitute products do not exist. Other risks associated with focus strategies include imitation and changes in the target segments

- *Pursuit of more than one generic strategy*

The above generic strategies are not necessarily compatible with one another and so, if a firm attempts to achieve an advantage on all fronts, it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality does not suffer, the firm will risk projecting a confusing image. For this reason, Porter (1985) argues that to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage. It is to be noted that the temptation to blur a generic strategy, and therefore become stuck in the middle, is particularly great for a focuser once it has dominated its target segments. Porter (1985) explains that success can both lead a focuser to lose sight of the reason for this success and compromise its focus strategy for growth's sake.

[93] Overall differentiation and differentiation focus are perhaps the most often confused strategies in practice. The difference is that overall differentiator bases its strategy on widely valued attributes, while the differentiation focuser looks for segments with special needs and meets them better.

4.2.2.3 Innovation strategies

Innovation strategy deals with the firm's rate of new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. Innovation strategies can be broken down into three types of firms: pioneers, close followers and late followers.

i. *Pioneers*

Prior research indicates that pioneers (relative to late followers) have higher returns if they are successful (DeCastro & Chrisman, 1995), they have long lived market share advantages (Kalyanaram & Urban, 1992) but bear a higher risk of failure (Mitchell, 1991). Late entrants must have a truly superior product, or else advertise more frequently (or more creatively) than the incumbent in order to be noticed by the consumer. In a laboratory study using consumer products, Carpenter and Nakamoto (1986) found that order-of-entry influences the formation of consumer preferences. If the pioneer is able to achieve significant consumer trial, it can define the attributes that are perceived as important within a product category. Pioneers such as Coca-Cola and Kleenex have become prototypical, occupying a unique position in the consumer's mind. Pioneers' large market shares tend to persist because perceptions and preferences, once formed, are difficult to alter. More traditional marketing studies confirm the existence of such perceptual effects. In a study of two types of prescription pharmaceuticals, Bond and Lean (1977) found that physicians ignored "me-too" products, even if offered at lower prices and with substantial marketing support.'° Montgomery (1975) found that a product's newness was one of the two key variables necessary to gain acceptance onto supermarket shelves.

Being the first mover is very expensive, but pioneers have an opportunity to develop customer loyalty that can often be difficult for competitors to overcome.94 But even

[94] Some examples of companies that were first in market share in 1925 and are still first today, Campbell soup, Gillette razorblades Goodyear tires, Kellogg breakfast cereal, Kodak cameras, Lipton tea, Sherwin-Williams paint, and Wrigley chewing gum, to name a few.

starting with a good marketing entry strategy, it is still necessary to sustain it. Sony, for example, is one of most innovative consumer electronic firms in the world and has become very profitable pioneering such products as transistorized radios, audio cassette recorders, video cassette recorders (VCRs), Camcorders, Walkmans, compact discs, digital audio tape, mini discs (MDs), high definition television (HDTVs), and they now sell 3-D TV and eyeglasses with a built-in TV. On the other hand, the world's largest consumer electronic company, Matsushita Electric Works, which dwarfs Sony in size, is usually the follower. Yet, by designing a brand for every segment, their large number of brands Panasonic, Tecnics, Quasar, Pioneer, etc., has allowed Matsushita to become successful as well.

Pioneers commit to a number of key factors they believe will lead to success within the competitive environment (Slater, 1993). If key success factors within an industry remain stable, a pioneer's early commitment to a new technology is likely to provide superior new venture performance. Of course, if the competitive environment changes, so too may the key success factors rendering the venture at a competitive disadvantage (Golder & Tellis, 1993). Shifts in consumers' tastes also provide opportunities for late entrants to better satisfy customer demands (Golder & Tellis, 1993). Therefore, pioneers typically face technical and demand uncertainty. Moreover, pioneers' problems are also often accelerated by a tendency to counter threats through investing research funds into improving current technology (Aaker & Day, 1986), and solving new problems using inappropriate methods (Nelson & Winter, 1982).

ii. Close followers

With a good marketing strategy, followers can become leaders. Being a close follower is less costly, but followers have to play catch-up with the leader. With a good marketing strategy many have caught-up. An example of a pioneer failure and close follower surpassing the leader is found in the VCR War of the 1980s. Sony pioneered the VCR using the "Betamax" format, but kept it proprietary; they were the only seller. Shortly thereafter, a much smaller company, JVC, launched a VCR using the "VHS" format. In contrast to Sony, however, JVC leased their VHS format to the world's electronic giants: Matsushita of Japan, Philips of the Netherlands, Siemens of Germany, Thompson of France, Olivetti of Italy, and RCA in the U.S., among others. Although experts regarded Beta as the better technology, VHS had far greater marketing clout. With many manufacturers selling VHS through a multitude of brands, they acquired more product titles, greater promotion, wider distribution and ultimately dominance in the market. As its market share continued to decline Sony was forced to withdraw Betamax.

iii. Late followers

Later entrants can position themselves as variety enhancers, rather than as replacements or substitutes for the pioneers. In order to survive the later entrant must differentiate itself substantially in the minds of the consumers (Kalyanaram and Gurumurthy, 1998). Such positioning can be accomplished through substantial changes in either the product or promotion strategies. For example, the Chrysler Corporation redefined perceptions of its minivans by introducing Caravan, a two-door van.

The later entrant can also segment the market, focusing on a particular target. By providing appropriate value, the later entrant can extract additional rents. A good example of this is the competition among the International Business Machines Corporation, Compaq Computer and Dell Computer in the personal-computer market. Finally, later entrants can position themselves as variety enhancers, rather than as replacements or substitutes for the pioneers. A good example is Orange, the late-entry cellular service provider in Britain, which successfully nudged aside the pioneers.

Orange entered the market almost 30 months after the first entrant, Vodafone, and nine months after One-2-One, and with technology similar to One-2-One's. Orange, however, has followed a very aggressive entry strategy. It has not only invested heavily in the network over the first two years of introduction, but also developed aggressive pricing strategies. Orange seized a third of Britain's total market's first quarter 1996 growth by offering about a 30 percent savings to end users, compared with Vodafone and Cellnet.

However, what worked for Orange in Britain, for example, will not work for new entrants in Scandinavia. This is a significant barrier to entry for new players, especially since entering the industry requires a high capital investment. So the key source of differentiation for new entrants in such situations is going to be creative marketing, innovative advertising, new service packages and superior customer service. This is especially true since the incumbents offer a relatively poor level of customer

4.2.2.4 Aggressiveness strategies

Aggressiveness strategies are rated according to their marketing assertiveness, their risk propensity, financial leverage, product innovation, speed of decision-making, and other measures of business aggressiveness. It is to be noted that the aggressive strategies discussed below, are synonymous to Miles and Snow's (1978) typology, which is based on the assumption that organizations see what they want to see in the external environment and can be proactive dealing with it.

According to Chan, Yung, and Burns (2000), Miles and Snow's (1978) typology is one of the more popular strategic archetypes in strategy research since the archetype has been used to test empirically a number of strategic options and business-environment relations such as business strategy (Hambrick, 1983), marketing strategy (McDaniel and Kolari, 1987), technology strategy (Weisenfeld-Schenk, 1994), adaptation to change in banking (Fox-Wolfgramm et al., 1998), strategy-incentive fit (Rajagopalan, 1996), and corporate strategy in a centrally planned economy (Tan and Litschert, 1994). Second, the archetype provides a comprehensive classification and understanding of organizational strategy, structures, processes, administrative relationships, entrepreneurial aspects, and human resources practices.

Miles and Snow (1978) classify firms according to how they respond to three key elements, that is, entrepreneurial[95], engineering[96] and administrative[97] problems. As such,

[95] The entrepreneurial problem refers to the selection of a specific product or service and a target market which the firm selects to serve.
[96] The engineering problem involves the creation of a system, which puts management's solution to the entrepreneurial problem into actual operation.

the writers have found that competitive firms show patterns of behaviour representing four basic strategic types with which organisations frame the three problems. Accordingly, they classified these strategy types as prospectors, defenders, analysers, and reactors.

a. The Prospector

This is the most aggressive of the four strategies and it typically involves active programs to expand into new markets and stimulate new opportunities. Conant et al.'s (1990) research on distinctive marketing competence have revealed that prospectors have a strong marketing orientation. McDaniel and Kolari (1987) have also arrived at similar results in their research in the marketing strategy implications of the Miles and Snow typology.

New product development is vigorously pursued and attacks on competitors are a common way of obtaining additional market share. Firms that are described as prospectors are likely to respond quickly to any signs of market opportunity, and do so with little research or analysis. A large proportion of their revenue comes from new products or new markets with the risk of product failure or market rejection being high. Their market domain is constantly in flux as new opportunities arise and past product offerings atrophy. They value being the first in an industry, thinking that their "first mover advantage[98]" will provide them with premium pricing opportunities and high margins.

The industry in which prospectors operate in tends to be in the introduction or growth stage of its life cycle with few competitors and evolving technology. This is in line with Chan, Yung and Burns (2000) who state that a strong orientation in technological and administrative flexibility is necessary in response to a rapidly changing environment. However, the writers caution that in such organizations, production and distribution

[97] The administrative problem is primarily that of rationalizing and stabilizing those activities, which successfully solve problems faced by the organization during the entrepreneurial and engineering phases.
[98] A first mover advantage is a sometimes insurmountable advantage gained by the first significant company to move into a new market.

efficiencies are hardly achieved because of the under-utilization or mis-utilisation of physical, financial, and human resources.

b. The defender

Defenders, in contrast, are internally oriented organisations. They stress efficiency, and are tightly organised firms focused on maintaining a niche with a limited range of products or services (Miles and Snow, 1978).[99] As a result of their narrow focus, these firms seldom need to make major adjustments in their technology, structure, or methods of operation, and devote primary attention to improving the efficiency of existing operations. Top managers of this type of firm are highly expert in their organisation's limited area of operation and so they do not search outside their domains for new opportunities. They emphasise the engineering aspects of production and pay close attention to the bottom line. The structure of a defender firm is characterised by an elaborate formal hierarchy and high degree of centralisation. As defenders abhor risk, they tend to lag behind industry competitors in innovation, seeking only proven opportunities in their area of expertise. They try to protect their domain, allocating almost all of their resources to controlling and protecting their narrow product markets, through lower prices, higher quality, superior delivery, and so forth (Croteau et al., 1999).

c. The analyzer

Analyser type firms blend the characteristics of both the prospector and defender orientations. They are able to focus on efficiency and productivity when the market is stable, while at the same time cautiously moving into a new domain with scanning and innovation when the market is dynamic or turbulent. They share frequent conversation with customers and commonly weigh up their competitors' activities (Slater and Narver, 1993). However, they only move into a new domain after prospectors have proved its viability. These organisations do everything that defenders do but in moderation, and at the same time are imitators in that they take other firms' promising ideas and market them successfully. They balance risks and returns by following prospectors into new

[99] Preoccupation with the internal business environment is common, causing executives to emphasise efficiency rather than effectiveness (Day and Nedungadi, 1994).

markets and improving on their technological advances. They seek flexibility as well as stability, adopting structures that can accommodate both stable and changing domains. In these stable areas, they operate routinely and efficiently through the use of formalised structures and processes; but in their more turbulent areas, they assess their competitors closely for new ideas and then rapidly adopt those that appear to be most promising.

d. The reactor

Reactors are firms that adopt a *laissez-faire* approach to their operating environment and are largely unprepared for any changes arising with the main strategic goal of this category is “survival”. Miles and Snow (1978) refer to the actions of “reactors” as being inconsistent, arising from a lack of clear goals and direction. Consequently, reactors are unlikely to be proactive and more likely to delay responding to the external environment until it is absolutely necessary. Conant et al. (1990) state that “reactors” respond to the challenges of the market in an erratic manner. Others go further than this and state that reactors “do not present any consistent pattern of response behaviour to environmental conditions” (Matsuno and Mentzer, 2000). Indeed, Miles and Snow (1978) refer to reactors as firms whose “management fails to align strategy, structure, and context in a consistent fashion”. Furthermore they contend that while the prospector, defender and analyser styles are capable of leading to competitive advantage within the industry, they caution that the reactor style is often a manifestation of a poorly aligned strategic orientation and structure, and is therefore unlikely to lead to competitive advantage.

- **Market segmentation**

Knowing your customers is the key to successful marketing according to Shaw (2002) and this involves finding, understanding and satisfying them. As such, the better a firm can satisfy its customers, compared to its competitors, the more successful they will be. Consequently, analyzing customers is the starting point of a good marketing strategy. And it entails segmenting, targeting and positioning the market offering to potential customers.

The theory of market segmentation is based on micro-economic price theory and has evolved from the pioneering work of Chamberlin (1933) and Robinson (1938) on perfect competition. Price theory explains the benefits of segmentation by explaining how a company selling a homogeneous product in a heterogeneous market can maximise its profits. However, market segmentation as a marketing tool has come to the fore in the 1980s only and has become increasingly important to marketing strategy in the 1990s and beyond. This is in line with McDonald (1995) and Piercy (1992), who declare that market segmentation is a key decision area for organisations undertaking marketing and strategic planning.

Fifield (1998) explains that the reason behind this growth of interest in market segmentation is directly related to the evolution of most marketplaces, certainly consumer markets. Essentially, it has been well established that markets and customers who form those markets are not homogeneous in nature (Alderson, 1983; Assael and Roscoe, 1976; Claycamp and Massy, 1968; Smith, 1956). In most cases, it is almost impossible to satisfy all customers in a single market with a single marketing strategy. Individual uses or the benefits sought from a product class/form/brand/options have been found to differ in terms of consumer's individual preferences, choice behaviours in the marketplace, as well as their effective responses to marketing actions of firms (Grover and Srinivasan, 1989; Wind, 1978). In this way, firms have moved away from mass marketing towards a target marketing strategy where the focus is on a particular group of customers.

In a similar vein, Dibb and Simkin (1997) have explained that market segmentation arises because it is necessary to balance diverse customer needs with the capabilities and resources of competing organizations in the marketplace. So companies are more likely to achieve a match between their particular assets and the diversity of needs by concentrating efforts on customer groups with fairly homogeneous requirements (Choffray and Lilien, 1978; Webster, 1991). In this perspective, market segmentation relates to the identification of target customer whereby customers with similar requirements or expectations and buying characteristics (Aggarwal, 1985) into the same group. Kotler (1980) is also supportive of the fact that market segmentation implies the subdivision of a market into distinct subsets of customers, where any subset may conceivably be selected as a target market to be reached with a distinct marketing mix. Other proponents have focused on the process by which market segmentation takes place and state that it usually consists of three main elements: segmentation, targeting and positioning (Dibb and Simkin, 1991). This supports Kotler's (1984) argument that the three stages of market segmentation are namely: segmenting; targeting and positioning (STP).

A. Benefits of segmentation

Beyond the realization that the firm cannot be all things to all comers, advocates of segmentation suggest that businesses adopting a segmentation approach can enjoy a variety of benefits. Indeed, the strategic and ultimate gain that firms receive from market segmentation is that of competitive advantage. The firm will want to develop customers in the segments that are most profitable by giving the customers in those segments what they want and communicating with them, in language that they can understand that the firm has done so. This is what Yavitz and Newman (1982) in another context have called "the right person and the right carrot", meaning the correct segment of customers and the correct offering.

Additionally, market segmentation reduces rivalry because there will be fewer competitors in any given segment and this will have the effect of reducing downward pricing pressures. It also reduces pressure from substitutes, because certain segments will not see a rival product as a substitute (Schnaars, 1991). Further, it allows a firm to become the product of choice in a segment, even if the firm is relatively small. Moreover, Dibb (1998) explains that until competitors copy your segmentation, the firm will have a competitive edge, even if it serves the segment with a standard product or service. McBurnie and Clutterbuck (1988) further add that if the product or service is specific to the segment then your competitive advantage will be multiplied.

Furthermore, the customer and competitor analysis, which a segmentation approach requires, allow the business to become more in tune with the behaviour of both. The result can henceforth be a better understanding of customers' needs and wants, allowing greater responsiveness in terms of the product on offer. Moreover, the enhanced appreciation of the competitive situation will also allow the business to better understand the appropriate segments to target and the nature of competitive advantage to seek. Besides, a segmentation approach can add clarity to the process of marketing planning, by highlighting the marketing programme requirements of particular customer groups. Moreover, Sharma (2004) has examined the relationship between marketing strategy and organisational performance. The results of his study suggest that the increase in efforts for the development of new market segments/customers is found to be positively associated with the increase in sales growth in domestic and export markets. Lastly, market segmentation is also thought to develop effective marketing mix strategy.

B. Levels of market segmentation

A. Mass marketing

At the starting point of any segmentation discussion is mass marketing (Kotler, 2000). In mass marketing, a firm will try to accommodate as much of the market as possible. It usually involves marketing different products to different groups of people or promoting the same product through different means. The argument for mass marketing is that it creates the largest potential market, which leads to the lowest costs, which in turn can lead to lower prices or higher margins. An example of the former is the way banks now work, they have separate accounts for students and teenagers, and others offering different services for different purposes.

B. Micro marketing

For most of this century, major consumer-products companies have held fast to mass marketing principles, marketing the same set of products in about the same way to all consumers. But recently, many are turning to micro marketing which relates to the practice of tailoring products and marketing programmes to suit the taste of specific individuals and locations. There are various forms of micro marketing, with the most common forms being: segment, niche, local and individual marketing.

i. Segment marketing

A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. For instance, an auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury or safety. Segment marketing is thought to offer several benefits over mass marketing. For example, the company can create a more fine-tuned product or service offering and price it appropriately for the target audience. In addition, the choice distribution channels and communications channels becomes much easier.

ii. Niche marketing

Niche marketing has been defined as a small market that is not served by competing products (Keegan et al., 1992). This is consistent with Shani and Chalasani (1992) who define the concept as the process of carving out a small part of the market whose needs are not fulfilled. It is argued that a niche-marketing strategy consists of selecting narrow segments that require special technical and marketing expertise (Boyd and Walker, 1990). According to Kotler (1994), the key idea in niche marketing is specialization. For instance, Industrial Computer Source has the highest name recognition in the USA personal computer business. In addition to its direct marketing efforts, the company has succeeded because of the diversity of its niche. The challenge has been targeting and segmenting its extensive database and the rented lists it uses (Poirier, 1993).

In the marketing literature, it has been propounded that the ideal niche must have the following five characteristics (Kotler, 1994) namely: the niche is of sufficient size and purchasing power to be profitable; the niche has growth potential; the niche is of negligible interest to competitors; the firm should have required skills and resources to exploit the niche; and the niche should provide entry barriers for competitors through accumulated customer goodwill. Kara and Kaynak (1997 add that a careful analysis of these descriptions yields a niche that takes segmentation one-step further in terms of creating distinct group of customers.[100]

[100] For instance, Marriott offer a variety of hotels to different market niches.

iii. Local marketing

Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups (Kotler et al., 2002). For instance, Citibank provides different mixes of banking services in its branches depending on neighbourhood demographics. The firm engaged in local marketing, usually perceives national advertising as wasteful because it fails to address local needs. However, it has been argued that local marketing poses problem since it drives up manufacturing and marketing costs, reducing thus economies of scale. Furthermore, it is thought that logistical problems become magnified when companies try to meet varying local requirements. Moreover, it has been propounded that a brand's overall image may be diluted if the product and message differ in localities.

iv. Individual marketing(Mass customization)

The competitive environment in the 1990s has changed drastically and market turbulence has also increased due to changes and transformations taking place in global markets. According to Kotler (1989), the "mass market" is dead and segmentation has now progressed to the era of mass customization. Also called "finer segmentation" (Davis, 1996; Kara and Kaynak, 1997), mass-customisation sees each customer as a segment and treats each customer separately by fulfilling his unique needs and desires (Wiggins, 1995; Pine et al., 1995).

Davis (1996) states that mass-customisation of markets means that the same large number of customers can be reached as in the mass market of the industrial economy, and simultaneously they can be treated individually as in the customised markets of pre-industrial economies. The ultimate logic of ever-finer differentiation of the market is markets of one, that is, meeting the tailored needs of individual customers and doing so on a mass-basis. Mass-customisation is interested in serving one customer at a time, in contrast to mass-production and the traditional global marketing view of one segment at a time. Thus, the mass-customisation approach focuses on satisfying almost all of the needs of its customer in contrast to product driven competition, which is based on trying to reach more customers while satisfying a limited number of basic consumer needs. As a result, mass-customisation may be considered to be more customer-driven than any other approach (Peppers and Rogers, 1997). As such the sale is not the end of the marketing process, in mass-customisation, but the beginning of a relationship in which seller and buyer become interdependent (Toffler, 1980; Webster, 1996). Similarly, Peppers (1995) defines customisation as letting customers tell the company what they want so that it can be given back to the customer.

4.2.3 Segmenting

There is no recipe for choosing which variables to utilize when segmenting. The identification of segmentation variables is among the most creative parts of the segmentation process because it involves conceiving dimensions along which products and buyers differ, that carry important structural or value chain implications. Furthermore, "the greatest opportunity for creating competitive advantage often comes from new ways of segmenting, because a firm can meet buyer needs better than competitors or improve its relative cost position" (Porter, 1985).

I. Bases for segmenting consumer markets.

In the early marketing applications, the process of dividing a population of customers by means of clustering techniques into homogeneous groups was often done without the use of a dependent/target variable (Frank et al., 1972). As most companies want to maximize profits (or some other quantity, e.g. sales), marketers have quickly realized that segmentation will ensure that ‘better’ customers are separated from other customers. However there exists a multitude of ways to segment, whereby a marketer can try different segmentation variables, alone and in combination to find the best way to view the market structure. The major variables that will be dealt with are geographic, demographic, psychographic and behavioural variables.

Segmenting markets by location typically occurs when a business anticipates regional differences in needs, wants, or distribution strategies. Localized online city guides such as Citysearch.com also practice geographic segmentation, developing products and marketing programs for highly populated (and profitable) regions and specific urban areas. Geographic segmentation variables include: country, region, state, metropolitan area, city and zip code.

Demographic segmentation, on the other hand, is the most traditional approach to segmentation (Marcus, 1998). Kotler and Armstrong (1996) posit that it consists of dividing the market into groups based on variable such as age, gender, family size, family life cycle, income, occupation education, religion, race and nationality. However, most companies will use what is termed multivariate demographic segmentation, meaning that they will segment the market by combining two or more demographic variables. It is to be noted that demographic factors are the most popular bases for segmenting customer groups because for one, consumer needs, want and usage rates often vary closely with demographic variables. Secondly, demographic variables are easier to measure than most other types of variables.

The next base that can be used for segmenting is psychographic segmentation. This type of segmentation involves the division of buyers into different groups based on social class, lifestyle, or personality characteristics.[101] Certainly, people in the same demographic group may have very different psychographic makeup. Lastly, there is behavioural segmentation, which consists of dividing customers into groups based on their knowledge, attitudes, uses or responses to a product. Another powerful form of behavioural segmentation is to group buyers according to the benefits that they seek from the product. Benefit segmentation usually requires finding the major benefits people look for in the product class, the kinds of people who look for each benefit, and the major brands that deliver each benefit.

II. Segmenting business markets

Even if business marketers use many of the same variables as consumer marketers do, there are other additional variables to which they can have recourse. Bonoma and Shapiro (1983) have presented five major groups of variables for segmenting business markets:

[101] It is to be noted that successful market segmentation strategies based on personality have been used for products such as cosmetics, cigarettes, insurance and liquor.

demographics, operating variables, purchasing approaches, situational factors, and personal characteristics. They further note that in many situations these market segmentation variables interact with one another in important ways and suggest that two or more of these groups of variables may be applied in a nested fashion.

Demographic industry segmentation focuses on which industries buy the product, on the size of the companies and on the geographic location that the firm should serve. Operating variables, on the other hand, illustrate how business markets can be segmented according to technology (what customer technologies should the firm focus on?), user/nonuser status (Should the firm serve heavy, medium or light users, or non-users?), or customer capabilities (those needing many or few services).

The next base is that of purchasing approaches which encompass segmentation through purchasing function organization (Should the firm serve companies with highly centralized or decentralized purchasing organizations?); power structure (Should the firm select companies dominated by a functional specialty?); the nature of existing relationships (Should the firm serve companies with which it has a strong relationship or simply go after the most desirable companies?); general purchase policies (Should the firm focus on companies that prefer some arrangements over others such as leasing, related support service contracts?); and purchasing criteria (Should the firm serve companies that are seeking quality? service? price?)

In addition, there can be situational factors that influence the business market segmentation effort. Situational segmentation may be based upon urgency (such as quick delivery needs), specific application (focus is on certain applications of the product rather than all applications?) or size of order (Should the firm focus on large or small orders?). Lastly, personal comparisons can lead to segmentation by buyer-seller similarity (Should the firm focus companies with similar personnel and values?), attitudes toward risk (Should the firm focus on risk-taking or risk-avoiding companies?), or loyalty (Should the firm focus on companies that show high loyalty to their suppliers?).

However, segmentation may not necessarily apply to all industries (Goller, Hogg and. Kalafatis, 2002). Some industries, for example, may be so small that companies deliberately decide not to segment their markets and/or to serve each company with an individual tailored strategy. Similarly the arrival of the Internet provides the choice for sophisticated micro-segmentation and thus, even if the market is heterogeneous, segmentation may not necessarily present the best opportunity for a company. There may also be other reasons why companies may not opt for a segmentation strategy. For instance, segmentation may not be seen as being cost-effective, because the market is dominated by heavy users or by a single brand (Young et al., 1978; Eckles, 1990).

III. Bases for global market segmentation

Few companies have either the resources or the will to operate in all, or even most, of the countries of the globe. Although some large companies, such as Coca-Cola or Sony, sell products in more than 150 countries, most international firms focus on a smaller set. Hence, international firms need to group their world markets into segments with distinct buying needs and behaviours.

For instance, companies can segment international markets using one or a combination of several variables. For example, they can segment by geographic location, grouping countries by regions such as Western Europe, the Pacific Rim, the Middle East or Africa. However, even if geographic segmentation assumes that nations that are close to one another will have many common traits and behaviours, there are many exceptions. For example, although the United States and Canada have much in common, both differ culturally from neighbouring Mexico. Indeed countries that are close together can vary dramatically in their economic; cultural and political makeup.

As such, world markets can be segmented on the basis of economic factors, that is, for example countries may be grouped by population income levels or by overall level of economic development. Apart from that, countries can also be segmented according to political and legal factors such as the type and stability of government, receptivity to foreign firms, monetary regulations and the amount of bureaucracy. In addition, other companies may choose cultural factors to group markets and this may be in term of common languages, religions, values and attitudes, customs and behavioural patterns.

However, segmenting international markets on the basis of geographical, economic, political, cultural and other factors assumes that segments consist of clusters of countries. Yet, many companies use a different approach called intermarket segmentation, which consists of forming segments of consumers who have similar needs and buying behaviour even though they are located in different countries.

- **Requirements for effective segmentation**

Clearly, even if there are many ways to segment a market, not all segmentations are effective. The six criteria which will determine the effectiveness of the outcome of a segmentation process and the profitability of the resulting segments are, the segments must be: (1) identifiable/measurable- this refers to the degree to which marketers/managers are able to identify distinct groups of customers based on a specific segmentation base and the degree to which the segments size and profitability can be measured; (2) substantial – this means that the segments which have been identified using a specific segmentation base have to represent a large enough portion of the market in order to be profitable segments, worth targeting; (3)accessible - managers have to be able to reach the identified segments through communication and distribution channels; (4) stable- the stability criterion refers to the stability of specific segments over time but this criterion has not, unfortunately, received much attention so far; (5) actionable- this means that the company has to be able to formulate effective marketing programs for serving the identified segments and (6) differentiable- meaning that the different segments have to be heterogeneous in regard to their response to different marketing-mix elements.

4.2.4 Market Targeting

Given effective market segmentation, the next step for the firm is to choose which markets to serve and how to serve them. According to McDonald (1995), target marketing is a key decision area for all organisations undertaking marketing and strategic planning. Cahill (1997) argues that target marketing is important for two major reasons. The first one is that it forces the firm to look towards a realistic approach to its customers and its product/ service offerings and to determine the best fit(s) between them. Second, it forces a strategic focus on the firm, which begins outside with the customers and the market, and not inside with the firm.

I. Evaluating market segmentations

Market evaluation means assessing the sales potential of each segment and selecting the segments that are most suitable for exploitation. Sales potential is a function of the number of people in the segment, their disposable incomes, and their willingness to pay for product attributes, together with the organization's ability to serve them. It is to be noted that indicators of sales potential include size, growth rate, price sensitivity and current usage in the product category. Second, the firm must consider whether investing in the segment makes sense given the firm's objectives and resources. In this end, some attractive segments can be dismissed because they do not mesh with the company's long run objectives, or because the company lacks one or more necessary competences to offer superior value.

II. Selecting market segmentations

When all segments have been analyzed, the marketer can choose to accept them at five levels:

i. *Single segment* -one product to one segment only

The single segment also known as the concentrated strategy puts emphasis on the selection of only one segment. For instance, Volkswagen has concentrated on the small-car market and Porsche on the sports car market (Kotler, 2000). Through this concentrated marketing, the firm gains a strong knowledge of the segment's needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution, and promotion. Yet, concentrated marketing involves higher than normal risks. A particular market segment can turn sour or a competitor may invade the segment. For these reasons, many companies prefer to operate in more than one segment.

ii. *Selective specialization* -one product to more than one unrelated segments

In contrast, the selective specialization is a multiple-segment strategy (also known as a differentiation strategy) and it entails the selection of a number of segments, each objectively attractive and appropriate. Even if there may be little or no synergy among the segments, each segment promises to be a moneymaker. However, the multiple-segment coverage strategy compared to the single segment strategy has the advantage of diversifying the firm’s risk. It is found that in this kind of strategy, the product may or may not be different, but in many cases it is only the promotional message or the distribution channels that vary.

Followers in an industry often use a multi-segment strategy (Shaw, 2002). As Toyota proved successful in the U.S. market it expanded from cars for the budget minded into automobiles and vans targeted to multiple segments, including sports oriented, large families, and luxury oriented customers. It is increasingly leaving the low margin economy cars to newer rivals, such as South Korea's Hyundai and Isuzu who are following Toyota's original niche strategy as Toyota expands into the more expensive and prestigious oriented segments of the market.

iii. *Product specialization*- one product to several segments

The firm adopting such strategy specializes in a particular product and tailors it to different market segments. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk, however, is that the product may be supplanted by an entirely new technology.

iv. *Market specialization* - more than one products to a particular customer group

In sharp contrast to product specialization, this strategy requires the firm to concentrate on serving many needs of a particular customer group. Here, the firm gains a strong reputation in serving this customer group and becomes a channel for further products that the particular group could use. However, the risk associated with such strategy is that the customer group may have its budgets cut.

v. *Full market coverage* -one or more product to all customer groups

This particular strategy describes the firm's attempts to serve the entire market with all the products it may need. According to Kotler (2000), only very large firms can undertake a full market coverage strategy and they include IBM (computer market), General Motors (vehicle market) and Coca-Cola (drink market). Such firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

In undifferentiated marketing, the firm ignores market-segment differences and goes after the whole market with one market offer. It focuses on a basic buyer need rather than on differences among buyers. As such, its product designs and marketing program will be carried out in such a way that it will appeal to the broadest number of buyers. In a differentiated marketing however, the firm operates in several market segments and designs different programs for each segment. As a General Motors slogan once went: "A car for every size purse," meaning they had a product for every customer's income. For example, Cadillac was targeted toward customers with the highest income, Buick, Pontiac and Oldsmobile for those with higher, medium and lower levels of income, respectively, and Chevrolet for customers with the lowest income. However, though differentiated marketing typically creates more total sales than undifferentiated marketing, it also increases the cost of doing business.

- **The concept of differentiation**

A product or service with a difference that has added value to the buyer provides the organization with a certain monopoly. At one end of the scale, there is pure commodities, and at the other end, highly differentiated products (real or perceived). The more differentiated or unique the product or service is, the less it will have to depend on direct price competition to acquire customers. Yet, the concept of being unique or different is far more important today than it was ten years ago. What used to be national markets with local companies competing for business has become a global market with everyone competing for everyone's business everywhere.

Thus, differentiation has become one of the most important strategic and tactical activities in which companies must constantly engage. Trout (2000) claims in his book "Differentiate or die" that *"where there is a will, there is a way to differentiate"*. Additionally, Levitt (1986) has stated that *you can differentiate anything*. In order to do this it is essential to offer customers more than they think, they need or they expect to get. This requires a good knowledge of customers' and their customers' businesses and logic.

No one definition exists of what exactly constitutes differentiation. Jernström (2000) refers to this issue by saying that it is difficult to define differentiation. There are also different approaches to differentiation, for example, one of a marketer, one of an economist and one of a strategist as well as many levels such as a product level, product & service offering level and firm level. Indeed, over the last few years, many meanings of differentiation have surfaced; for example, Scheuing (1974) has stated product differentiation is generally a requirement for market segmentation. To get the most value out of product differentiation, one has to know to whom to offer differentiated products. Market segmentation is an important means of the differentiation process because it helps a firm to understand the needs of separate customer groups. It offers a firm the chance to meet customer needs more effectively as well as its own needs.

Rightmer and Jeney (2002) define differentiation as the business strategy that brings value to the firm's product and its customer. Sommers and Barnes (1999) also view the term as a strategy but one by which one firm attempts to distinguish its product from competitive brands offered to the same aggregate market. In a similar vein, Trout (2000) has stated that the concept of differentiation is about offering an option that the competition cannot or does not offer.

This is in accordance with MacMillan and McGrath (1997) who argue that differentiation is about offering customers products with unique attributes that they value and that customers perceive to be better than or different from competitors' products. More importantly, this corroborates the point of view of Porter (1985) who declares that differentiation is the key to competitive advantage. However, successful differentiation requires total customer responsiveness because it is not enough for the firm to be different-a potential customer has to take note of the difference and must feel that the difference somehow fits their need better.

Even if no one unique and generally accepted definition exists and many depend on the researcher's approach and objectives, there are however some important characteristics in differentiation. For instance, Haarla (2003) cites that differentiation must add value to both customer and manufacturer; it must be well communicated; it must be compared with competition; it is important from whose perspective differentiation is assessed and connection between the needs of the manufacturer and the perception of the customer is not well known; to sell differentiated products requires from sales executives different approach from that of commodity, e.g. good reasoning for why to pay more and lastly that product differentiation is about will and determination.

The benefits of successful differentiation are increases in customer loyalty, increases in sales, increases in profits, protection against substitutes, insulation from price competition, it sets the product/service apart, it provides a higher value to customers, it mitigates the power of large companies, it creates a great platform for communications, it provides an advantage in the market place, it fits with consumers’ desire for different and unique products or services and it increases the customers’ switching cost.

- **Value**

At the root of differentiation is the creation of value. There are many ways to deliver value.

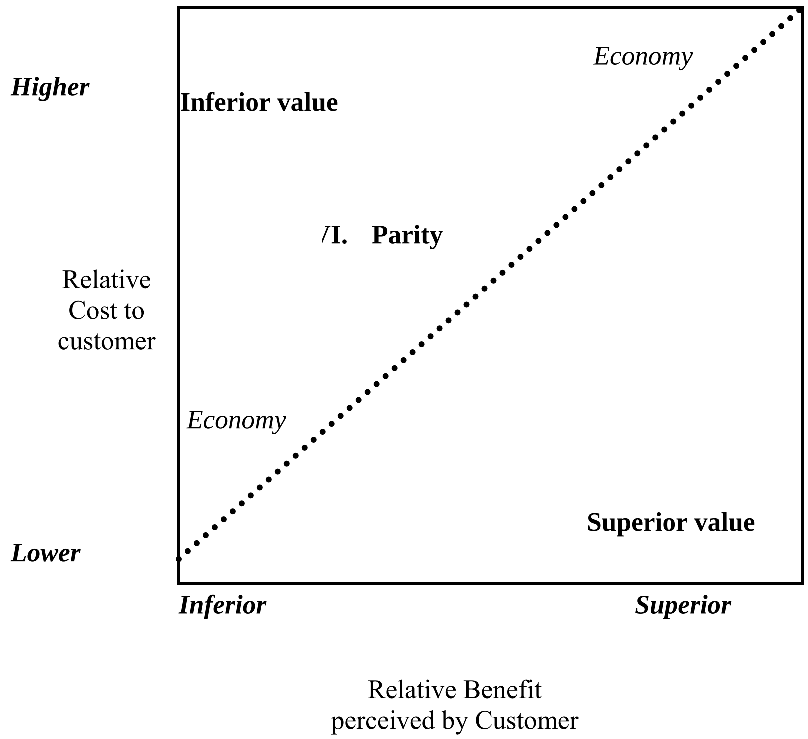


Figure 4.1 shows a map of the value framework

As the above map clearly demonstrates, there are many positions of value. The ideal position, although difficult to achieve, is providing superior value at a low price. Yet, meaningful values to customers can be created in many ways. The principal ones are high quality product or service, high quality service, innovation or technology, availability, low price, array of product or service and unconditional guarantee.

As with segmentation, the extra value provided to the buyers must be delivered at a cost that allows a profit. Differentiation for the sake of differentiation serves no purpose and can have a negative outcome if the customers do not need or want a differentiated product, or if they are not willing to pay for the uniqueness of the product or service.

Porter (1985) draws attention on the following pitfalls to differentiation: 1) uniqueness that is not valuable to buyers; 2) too much differentiation; 3) too big a price premium which ignores the need to signal value; 4) underestimated costs of differentiation; 5) focus only on the product and not on the whole value chain; and 6) a failure to recognise buyer segments.

- **Differentiation Tools**

In analyzing differentiation opportunities, researchers have made the distinction among a number of differentiation dimensions. As such, a company can differentiate its market offering along five dimensions, namely: product, services, personnel, channel and image.

A. Product differentiation

Product differentiation is concerned with the observable characteristics of a product or service that are relevant to customers' preferences and choice processes. Hence, the seller faces an abundance of design parameters, including the form[102], features, performance quality[103], conformance quality[104], durability[105], reliability[106], reparability, style and design. It is observed that the potential for differentiating a product or service is partly determined by its physical characteristics. For products that are technically simple, that satisfies uncomplicated needs, or must meet rigorous technical standards; differentiation opportunities are constrained by technical and market factors. On the other hand, products that are technically complex, that satisfy complex needs, or that do not need to conform to particular technical standards, offer much greater scope for differentiation.

Beyond these constraints, the potential in any product for differentiation is limited only by the boundaries of the human imagination. Differentiation extends beyond the physical

[102] The differentiation in form relates to the size, shape or physical structure of a product.
[103] Most products are established at one of four performance levels: low, average, high or superior and so performance quality refers to the level at which the product's primary characteristics operate.
[104] Conformance quality is the degree to which all the produced units are identical and meet the promised specifications.
[105] Durability refers to the product's expected operating life under natural or stressful conditions.
[106] Reliability is a measure of profitability that a product will not malfunction or fail within a specified time period.

characteristics of the product to encompass everything about the product or service that influences the value customers derive from it. This means that differentiation includes every aspect of the way in which a company relates to its customers. Thus, the differentiation strategy extends beyond product differentiation to embrace the totality of the relationship between a company and its customers. For example, when the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

B. Services differentiation

This leads to the next differentiation basis, which is services differentiation. The main services differentiators that exist are ordering ease, delivery installation, customer training, customer consulting and maintenance and repair. Ordering ease refers to the ease with which a customer can place an order with a company, for instance, many banks now provide home banking software to help customers get information and do transactions more efficiently. On the other hand, installation refers to the work done to make a product operational in its planned location. It is to be noted that differentiating at this point in the consumption chain is critical for companies operating in industries offering complex products. Another way of rendering a firm's product unique is by providing training to the customers' employees on how to use the vendor's equipment properly and efficiently. Additionally, a firm can also have recourse to customer consulting, which refers to data, information systems and advising services that the seller offers to buyers. Lastly, the firm can provide maintenance and repair services to its customers, that is, service programs offered to customers to keep the purchased product in good working conditions.

C. Personnel differentiation

Besides, product and services differentiation, companies can gain a strong competitive advantage through better-trained people. Kotler (2000) affirms that better-trained people exhibit six characteristics: they are competent – meaning that they possess the required skill and knowledge; courteous- that is, they are friendly, respectful, and considerate; they have credibility – that is they are trustworthy; they are reliable –they perform the service consistently and accurately; responsive to the customers' requests and problems and; they make an effort to understand the customer and communicate clearly.

D. Channel differentiation & Image differentiation

While companies can also achieve competitive advantage through the way they design their distribution's channel coverage, expertise and performance, the company can focus on its brand image. An image is the way the public perceives the company or its products. For an image to be effective it is dependent on three factors. Firstly, it establishes the product's character and value proposition; secondly, it coveys this character in a distinctive way so as not to confuse its competitors and thirdly, it delivers emotional power beyond a mental image. However, for the image to work, it must be conveyed through every available communication vehicle and brand contact.

Although the marketer may desire that customers view their firm's offering as unique, that is not always possible because followers may copy the firm's strategy. Even so, upon looking for opportunities, it is important for the marketer to know how customers view the firm's offerings and how he would like customers to view these offerings. This is where another important concept emerges, positioning. While differentiation is the collection of differences in features and benefits versus competitive products where the key is to determine how important these collective differences are to the buyer. Positioning constitutes the addition of brand value to this collection of differences in the mind of the buyer.

4.2.5 Market Positioning

While seeking opportunities, it is important for the marketer to know how customers view the firm's offerings and how he would like customers to view these offerings. This is where another important concept, *positioning*, comes in. There is indeed a clear acknowledgement from both academics and practitioners of the relevance and importance of the concept within the domain of business marketing. Dovel (1990), for example, contends that positioning should not be just a part of the company's strategy but the backbone of its business plan. This is echoed by Webster (1991) who states that positioning is an important strategic concept, developed in consumer marketing but with equal applicability for industrial products and services. More recently, Alden et al. (1999) have confirmed the importance of positioning in international marketing and conclude that, there is the emergence of a global consumer culture positioning.

Fierce competition is the primary reason for positioning strategy. [107] If a monopoly exists, it will undoubtedly be the market leader given the absence of any competition. However, that is not the case in the modern economy. There are so many new entrants into market niches that marketers must find a way to convince consumers to purchase their offering.[108] In the last few years, empirical research conducted between higher and lower performing UK companies, in terms of their marketing practices, has revealed that, to be successful over the long term, a firm's offering must be well positioned in the market place (Brooksbank, 1994). This has been supported by authors including Clement and Grotemeyer (1990) and Devlin et al. (1995) who assert that just as marketing has become an increasingly important element of strategic management process, so has the concept of positioning become fundamental to the success of firms' marketing strategies.

Positioning is also necessary because of the explosion of technology and the impact of the Internet on the way business is currently done. The evolution of e-commerce has made it easy for consumers to access product information. The information is then processed and positioned into their minds. So, a company with up to date technology, is better equipped to position their products effectively. Increasing globalisation has also impacted how marketers position their products and services.[109] Companies no longer deal with the same domestic firms, and face unfamiliar suppliers and buyers on other continents. This increases the complexity of positioning because one country may need to view the product in one way while another country has totally different needs and cultural standards.

[107] Kaydo, C. (2000). "A Position of Power." *Sales and Marketing Management,* 152(6), 104-114.
[108] Scholes, K. (2000). "In search of a strategy." *Teaching Business & Economics,* 4(2), 23.
[109] Moffitt (1990), Global *Positioning for the 21st Century.*

In addition, the relationship between a firm's adoption of the positioning concept and its profitability has also been evidenced in the earlier paper written by Fisher (1991) who contends that a differentiated position generates high return on profits. The above is supported by a US empirical research conducted by McAlexander et al. (1993) who state that the selection of a positioning strategy correlates significantly with financial performance. Further support of the relationship between positioning and the long-term growth of the firm is asserted by Porter (1983) who notes that companies who ignore the long term benefits of positioning strategies and, instead opt for operational efficiency would not be able to take advantage of the benefit of long term growth.

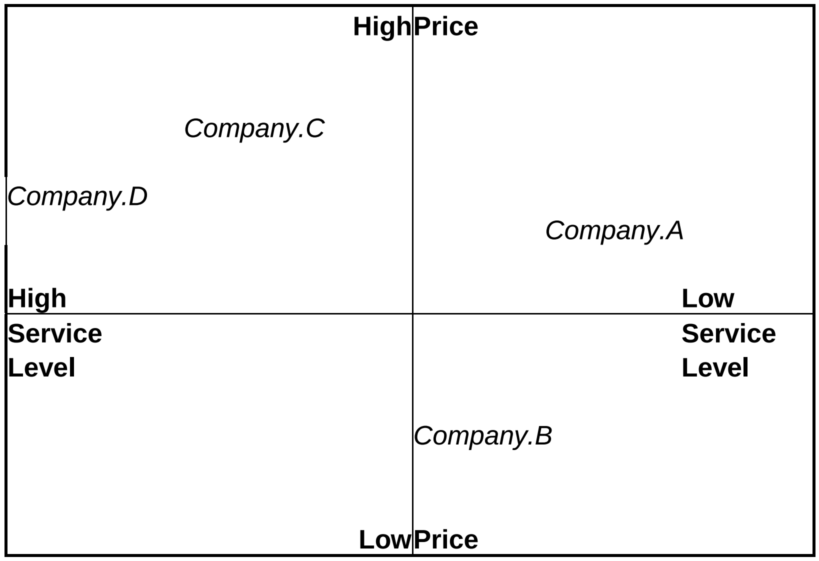
I. Definition of positioning

The term "positioning" is widely used within the marketing and advertising communities today, and its meaning has expanded beyond the earlier narrow definitions. Despite this acknowledged central role, it is surprising to note that there is a lack of coherent definitions for positioning (Crosier, 1981; Arnott, 1994). Such predicament has been first expressed in the writings of Aaker and Shansby (1982) who state that positioning means different things to different people, and in general, their comments remain true today. Rigger (1995) further explains that this may be, in part, attributed to the absence of a clear theoretical basis for positioning and the simplicity accorded to the meaning of positioning. As a result, this state of affairs has given rise to several varying terms associated with the concept, like positioning, position, product positioning, market positioning to name but a few, but as stated by Arnott (1994), these various terminologies are simply several sides of the same coin and complement each other. Additionally, positioning is often used nowadays as a broad synonym for marketing strategy. According to Thomas (2006), the terms "positioning" and "marketing strategy" should not be used interchangeably, rather, the former should be thought of as an element of strategy, a component of strategy, not as the strategy itself.

Positioning appears to have evolved from market segmentation, targeting and market structure changes during the 1960s and the early 1970s. Yet, it is only in 1986, that writers on the subject have credited Ries and Trout (1986) for popularising the term. In their work, the latter conclude that positioning starts with the product, which may be a piece of merchandise, a service, a company, an institution, or even a person. The writers bring further precision to their definition by arguing that the concept is not about what is done to the product/service, but rather what is done to the mind of the prospect. This particular theme has been adopted by a number of authors namely Kotler (2000) who defines positioning as the act of designing the company's offering and image to occupy a distinct place in the target market's mind. Similarly, Arnott (1994) states that positioning is the deliberate, proactive and iterative process of defining, measuring, modifying and monitoring consumer perceptions of a marketable object. Webster (1991) refers to positioning as the firm's unique way of delivering value to customers.

On the other hand, Doyle (1983) stipulates that the positioning strategy refers to the choice of target market segment, which describes the customers a business will seek to serve, and the choice of differential advantage, which defines how it will compete with rivals in the segment. Brooksbank (1994) has examined the above definition and declares that a positioning strategy may be broken down into three interrelated sub-components: customer targets; competitor targets; and competitive advantage.

The best way to identify the position of a firm is via a positioning map. By using what customers value, the firm can position its product or service. **Figure 4.2** shows a positioning map for a product where the most valuable characteristics are service level and price.



Position of Product or service

Company A	High price, low service
Company B	Low price, low service
Company C	High service, high price
Company D	High service, medium high price

Figure 4.2 shows the positioning map for a product

A positioning map is a pictorial representation of the spatial dimension of the market and the relative position of the product or service in the market. It is often derived from research of customer perceptions and can be used for both products and services or organizations. An organization, for example, may use variables such as image, size, and cost as variables on the axis.

II. The positioning framework

Before a proper framework can be implemented, a company must establish what its core competency will be. The core competency must be an activity, which the company performs in a better way than competitors and is difficult to imitate. As positioning is a component of marketing strategy, the core competency must be defined so the company knows how to place their product in the mind of their target.

Product offering is, for example, another consideration when preparing a positioning strategy. In order to position a product or service, the company must know exactly what they are offering and how it will affect the life of the potential buyer. Therefore, if the initial product offering is not established, there is no way to begin positioning. Product life cycle must also be evaluated since positioning strategies will vary depending on the stage of the product life. For example, a company will not position a product in the introduction phase using the leader positioning strategy, but using a benefit or user strategy. Once these factors are established, differentiating the company in the minds of customers is the next step.

There are several marketing tools to describe a firm's difference and accentuate its position in the customer's mind. For example, customization is an effective tool because today's customers want their purchase to be personal and unique. Data mining is another tool used to identify areas in which differentiation is needed. Moreover, using relevant customer data is an excellent way to find out what the customer's needs are. There is also the multi-attribute scaling, which uses a map of the product features the customers are interested in and how close each product comes to meeting those needs. The difference must be something that matters to the target audience, and it needs to be communicated in a relevant way. Differentiating on great customers service is one approach, but today's customers expect more than that. As such, companies must educate customers as to the advantages of their product by explaining how their individual needs are met in a unique way as a result of the product offering. Hence, positioning involves making sure that whatever is being offered is done so with clarity and coherence.[110]

III. Positioning Typologies

Positioning strategies must be customized according to the product or service and the profile of the target market. Since not every positioning strategy is the same, several types of positioning strategies exist. *Attribute positioning* uses a particular attribute to sell the product, for instance a company may position itself on an attribute such as size or number of years. Strongly related to positioning on product features, *benefit positioning* is based on using a benefit to promote the product. Generally, this is more effective because the firm can talk to customers about what its product can do for them. The features may be

[110] Mazur (2000)

nice, but unless customers can be made to understand why the product will benefit them, the firm may not get the sale.

Related to benefit positioning is *use positioning* which is based on how the product works. A fragrant example is that of Coca-cola advertisement that says: “Have a Coke and a smile”. Besides, this works best when the firm can teach its customers how to use its product or when it uses a promotional medium that allows a demonstration. Another type of positioning is that *user positioning,* which focuses on a user group to sell the product. *Competitor positioning*, on the other hand, involves a claim to be better than the competition. Moreover, while *product category positioning* uses the fact that the product is a market leader, *quality or price positioning* involves convincing the customer that the product is a “best value”.

4.2.6 Marketing as a strategy in small firms

4.2.6.1 The small firm and segmentation

The literature contains many studies relating to market segmentation in a wide array of industries. A sample that illustrates the wide applicability of these techniques is examined here. For instance, the passenger airline industry has been the subject of considerable research into market segmentation, and findings suggest that personality, environmental, and demographic variables are useful for subdividing the market. Bruning, Kovacic, and Oberdick (1985) in their study, reveal that different segments of airline passengers have distinct consumer preferences regarding convenience, economy, and safety.

Additionally, Larsson et al. (2003) find that SMEs segment their domestic markets based on experience and that this approach lacks updating. Similarly, Radder (1996) a large proportion (80 %) of the respondents indicated that they consciously segment their markets, based on income (74%), age (4%), life style (18 %), and product attributes (4 %). Contrastingly, Stokes (2000) found that small firms identify customer groups through a bottom-up process of elimination, rather than more deliberate segmentation. This is in line with Kinsey's (1987) findings, which stipulate that marketing segmentation activities were singled out as being little used by the small manufacturing firms.

Small firms and their overall marketing strategies

Researchers have identified strategies that SMEs pursue to gain competitive advantage through market segmentation. Indeed, due to the competitive resources possessed by larger and more established firms, small firms should carefully evaluate potential marketing strategies to identify distinctive competencies. Of the generic strategies identified by Porter (1985) - overall cost leadership, differentiation, and focus strategy- it appears that either a differentiation or focus strategy provides the greatest opportunities for successful implementation by small firms. For instance, Ibrahim’s (1993) results indicate that the niche strategy is "by far the most effective strategy for small business". In addition, differentiation strategies also appears to be quite effective, supporting an earlier study by Cooper, Gary, and Woo (1986) who found differentiation was an effective strategy for small firms, and Chaganti (1987) who found differentiation was more effective for small firms during industry decline.

Most small firms will find it very hard to pursue an overall cost leadership because of the resource constraints. As propounded earlier, small businesses are typically undercapitalized, and as such they will find it very hard to allocate resources to research and development, while still attempting to produce marketable products at the lowest possible cost. Coming to differentiation, Wright (1985) states that such strategy emphasizes combining marketing and manufacturing efforts to allow for quick responses to changes in the nature or volume of demand. However, while small firms may be able to anticipate changes in the market and react quicker than larger firms, again they may not have the resources to change their production processes as quickly as the larger firms can. So even if small firms may use a differentiation strategy, they must be careful in implementing the strategy.

As such, the focus strategy appears to be the best alternative for most small firms, and the easiest to implement. Wicks (2005) explains that because the market opportunity they seek is relatively small, a focus strategy can be implemented with minimal investment in resources and at the same time not pose a significant competitive threat to established rivals. In a debate on small firms' marketing activities, Rhys (1989) suggests that the small firm pursues its marketing function in a way, which aims at insulating it as much as possible from direct competition with more efficient producers. He points out that, as a consequence, small firms are left with strategic options such as exploiting niches left by larger firms (see also Stasch and Ward, 1989). Dess and Davis' (1984) factor analysis of small manufacturers' strategies provide the first empirical confirmation in small business of groups corresponding to Porter's (1980) strategic topology. Similarly, it has been found by Watkin that small firms develop a focus strategy to capture a segment of the market not well served by larger firms. The primary goal of a small firm in implementing a focus strategy is to determine its distinctive competencies and to convey these competencies to its customers.

Yet, studies[111] have found that the focus cluster have had to be divided into two to reflect a group that was not pursuing any particular generic strategy, but employed elements of more than one generic strategy in a mixed configuration. This may be explained by the fact that many small firms do not plan their marketing strategies and when they do, they often combine Porter's (1985) three generic strategies and accomplish relatively little.[112] Such a lack of focus may be explained by Davies, Ryan and Noonan (1982) who note that small firms do not use marketing research because of time and financial constarints.

However, the literature suggests that the use of Porter's (1980) model of competitive strategy is not appropriate in the case of SMEs, as the element of choice is often restricted to a focus strategy (Rugman and Verbeke, 1987). On the other hand, the literature is highly supportive of the use of the Miles and Snow (1978) typology[113] in SMEs. Among the 50 top privately owned and successful enterprises in Singapore, approximately 60% of the companies surveyed were found to be of defender type organizations, as determined by the characteristics portrayed by these companies from the factors that they seemed to excel in performance and fit the description of defender type strategy of Miles and Snow (1978) typology.

[111] See Dess and Davis, (1984); Miller (1988); Robinson and Pearce, (1991).
[112] It is to be noted that this reflects the 'stuck in the middle' phenomena as propounded by Porter (1985).
[113] See Olson and Currie, 1992; Rugman and Verbeke, (1987)

Moreover, the study of O'Regan and Ghobahian (2005) confirm this polarisation and reveals that SMEs can be categorised as either prospectors or defenders. The study of Hyatt (2005) indicates that there seems to be a difference between exporters' behaviour in the local market vis-à-vis the export market, whereby they do adopt a 'prospector strategy' quite predominantly in the local market, followed by a 'defender strategy'. Nonaka and Yamonouchi (1989) have examined strategies associated with new product development in small enterprises that allowed market segmentation. They reported that strategies associated with product development, promotion and distribution provided the self-renewal of an organization.

Miller, Gartner and Wilson (1989) identify the extent to which early market entry determined market share, position and promotion activities. Findings indicated that new ventures should enter the market as pioneers, rather than as followers. It was revealed that pioneers possess higher market shares and stronger competitive positions. Nonetheless, for most SMEs, the quest for increased revenues and the subsequent positive effect on the enterprise's well being are much more important than knowing whether or not market share has grown. Macmillan and Day (1987) examined methods of aggressive entry by small firms into new industrial markets. The study revealed two strategic marketing options for market entry: aggressive advertising and sales promotion for consumables; and aggressive sales calling programmes and superior service delivery for capital goods businesses.

It has been stated by many theorists[114] that innovation is intrinsically with the entrepreneur. As such, it would be quite interesting to examine what kind of innovative strategy they pursue. Lowe (1997) cites in her study that empirical evidence suggests that, in spite of their size, SMEs may benefit from being pioneers or 'first movers'. Miller et al.'s (1989) findings indicate that new ventures should enter the market as pioneers, rather than as followers because pioneers possess higher market shares and stronger competitive positions. Indeed, in some markets being first may be the only way SMEs

[114] See section 1 on entrepreneurship

can compete against larger firms, whose advantages in exploitation may be more scale intensive than in earlier stages of the innovation process. MacMillan and Day (1987) examined methods of aggressive entry by small firms into new industrial markets. The study revealed two strategic marketing options for market entry: aggressive advertising and sales promotion for consumables; and aggressive sales calling programmes and superior service delivery for capital goods businesses.

A research carried out in the EU countries (2002) demonstrates that in 2000-2002, two out of three companies developed and introduced new or modified products or services to the market - this indicator was even slightly better in the activity of SMEs (22%) than of big companies (21,8%). A large-scale empirical study, which identified 8,074 innovations (first market introductions) in 1982 in 362 industries (Edwards and Gordon, 1984), found that small firms accounted for about 55 percent of those innovations. This result indicates that small firms are a major source of innovation, and demonstrates the importance of such firms in technology commercialization in the United States. Small firms were estimated to generate about 2.38 times as many innovations per employee as large firms. Bomberger (1982), in his study, produces a similar estimate: small firms were found to produce 2.45 times as many innovations per employee as large firms. Namiki (1988), on the other hand, has identified market strategies for export success in small businesses and have found that market strategies associated with innovation product quality and service for export success.

Chaganti et al. (1989) investigated the use of different market strategies under different types of competition. The results indicated that market strategies associated with product innovation/development, price and distribution were effective in dealing with different types of competition in different markets. It seems that small firms adopt different strategy when operating on the local and international market. For instance, the study of Kazem (2005) has revealed that a significant 50% of Egyptian exporters adopt a cost-leadership strategy that is not necessarily combined with a differentiation strategy as recommended for a competitive strategy. According to the author, this may also imply that exporters are predominantly competing within the international market on basis of their cost and hence price without an adequate balance of price and product.

Yet, other researchers are of the view that market segmentation and differentiation may have limited applications for small businesses. Smith (1956) believes that a small business will find it difficult to be seen as unique versus the industry. This supports Winter (1984) who states that when firms attempt to segment markets, they often make mistakes on how to approach segmentation. He goes on and declares that three common misapplications of market segmentation include over-concern with demand level, needless searching for identification and myopic views of product forms.

Raymond and Brisoux (2003) found that a large majority of small firms (83%) also proceed with market segmentation activities, often so in 43% of the cases with the most used segmentation criteria being geographical criteria and the advantages sought by customers.

- **Segmentation and differentiation in SMEs**

Although a great deal has been written on both the differentiation of the product and market segmentation (Dickson and Ginter, 1987 and Smith, 1956), it appears that this strategy may have limited applications for small businesses. Dickson and Ginter (1987) have evaluated the differences between market segmentation and product differentiation and have found that even marketers cannot agree on the differences between the two concepts, or which particular element must be in existence first.

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Small firms should not be concerned with market segments that have "big players," or large numbers of customers, since resource constraints may prevent them from competing against larger firms who have the option of pursuing a least-cost strategy. Again, the small firm will not have the resources to be able to research all of the alternatives for potential market segmentation.

Wright (1985) states that differentiation typically emphasizes combining marketing and manufacturing efforts to allow for quick responses to changes in the nature or volume of demand. Small firms may be able to anticipate changes in the market and react quicker than larger firms, but small manufacturing firms may not have the resources to change their production processes as quickly as the larger firms could. Small firms may use differentiation, but a small business must be careful in implementing its strategy.

4.2.6.2 The small firm and target marketing

Given the success of target marketing by larger enterprises, logic suggests that it would also be a popular strategy of small companies. Brisoux (1995), for example, states that as opposed to the large firm that can opt for a differentiated marketing strategy (multi-segment), the small firm often chooses to concentrate on only one market segment. In a similar vein, Golby and Johns (1971) suggest that a small firm's strength usually derives from the ability to provide a specific service competitively. As such, limited markets, too small to be considered by large firms, provide the biggest opportunities for small firms (Davies and Kelly, 1972).

Peterson (1991) has also considered the use of target marketing for small business success and suggests that the target marketing strategy has penetrated the ranks of small business managers to an appreciable degree, with the heaviest emphasis in manufacturing and retailing, reflecting industry practice and competition in those sectors. However, targeting requires substantial resource sophistication in order to know which target market to aim for and exploit with precision. In any case, SMEs have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or a few key market segments is the basis of target marketing. The major ways to segment a market are: geographical segmentation, that is, specializing in serving the needs of customers in a particular geographical area (for example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store). Secondly, customer segmentation, meaning, identifying and promoting to those groups of people most likely to buy the product.

Johansson and Vahlne (1977) explain that for SMEs, the international market selection is often a reaction to a stimulus by a change agent, which can appear in the form of an unsolicited order. Government agencies, chambers of commerce and other change agents may also bring foreign opportunities to the company's attention. Such cases constitute an externally driven decision in which the exporter simply responds to an opportunity in a given market. In other cases the international market selection of SMEs is based on low psychic distance[115], low cultural distance[116] and low geographic distance.[117] Lindholm and Sylvest (1997) state that using any one of these criteria often result in targeting the same foreign market. The choice is often limited to the SMEs' immediate neighbours, due to the fact that low geographic distance often is similar to low cultural distance. By limiting their consideration at a nearby country, the SMEs effectively narrow their international market selection choice to a question: to utilise a neighbouring country's market or not.

4.2.6.3 The small firm and market positioning

Among the strategic advantages which Storey (1994) considers to be particularly relevant to entrepreneurs in small business service firms, is the market positioning of the business, in particular the targeting of niche markets.[118] This is entirely in line with Gurau (2004) who postulates that the positioning process is extremely important especially for small and medium-sized enterprises, since any wrong decision can literally eliminate the company from the market. It has been posited by Frey (2006) that 'to be successful in the small business you don't have to be the best, you just have to be unique', but still this is

[115] Low psychic distance refers to low uncertainty about foreign markets and low perceived difficulty of acquiring information about the market

[116] Low cultural distance means low perceived differences between domestic and destination cultures.

[117] Low geographic distance encompasses countries nearby with cultural similarities,

[118] See Bradburd and Ross (1989); Penrose, (1959) and Wingham and Kelmar (1992).

one of the common mistakes SMEs make; they do not strive to be unique. Obtaining consumer recognition and customer loyalty is indeed an arduous task for small and medium-sized enterprises. Siu and Kirby (1998), for instance, found that market positioning, niche marketing, market segmentation, and marketing surveillance are treated as minor or secondary strategic tactics by small firms.

Carson et al. (1995) postulate that since SMEs have little control over or influence on, the environment in which they operate, they find it difficult to position themselves against competitors. There is likely to be no one competitor deemed to be major; instead, there will be a number of competitors. How this will specifically impact on an SME, is that it will require sophisticated evaluation and analysis procedures, which are likely to be beyond an SME's capability. Moreover, it was found that family owned businesses are often more conscious of survival, family harmony, and family employment opportunities than they are of maximizing profitability and market position.

Additionally, regardless of the quality of the goods, gaining access to retail stores, local markets and distribution networks and making products known among consumers requires a significant investment that may exceed the budget of many firms. So, given the small scale of production, many SMEs will find it difficult to develop a powerful marketing campaign that will enable them to position their products and create a reputation for their goods that will attract consumers (WIPO magazine, 2002).

Doi (1992) has considered marketing efficiency and positioning in small manufacturing firms. The results of the study indicate that market structure elements, such as concentration and capital requirements, do not provide small-firm efficiency (i.e. firm productivity measured against industry productivity). Ming-Hone Tsai et al. (1991) have examined strategy and the technical environment required to compete in an established product/market domain. These investigators established that both the environment and strategy are important for success in new corporate ventures, as measured by market share gain. The Fann and Smeltzer's (1989) study established that small firms do not gather market information about competitors for long-range planning or operational decision making to achieve market position.

However, Fifield (1998) argues that the marketing strategy of an organization must be all about the development and the execution of the marketing mix. Indeed, it is the job of the marketing strategy to create a marketing mix which combines the right product range, which is marketed at the right price, through the right distribution channels, supported by the right level of promotion. The important strategic element of the mix is making sure that all of the individual mix elements is consistent and reasonable, because if for example, the optimal product distribution and promotional element of the mix is marketed at the wrong price, the entire marketing effort will be destroyed.

4.3 Part 3: The Marketing Mix Concept

The marketing mix concept is one of the core concepts of marketing theory (Rafiq and Ahmed, 1995). It has dominated marketing thought, research and practice since it was introduced almost 40 years ago.[119] According to BPP Publishing (1995), the marketing mix is the link between the business and the customers' requirements. However, it is only in 1964 that the term became popularised after Borden published his article, *The Concept of the Marketing Mix*. The author began using the term in his teaching in the late 1940s after Culliton (1948) described the marketing manager as 'a mixer of ingredients'. Gronroos (1993) explains that what Culliton (1948) meant by a mixer of ingredients is that the marketer plans various means of competition and blends them into a "marketing mix" to optimise the profit function and it comprises a list of categories of marketing variables.

Borden (1965) did not formally define the marketing mix; to him it simply consisted of important elements or ingredients that make up a marketing programme. McCarthy (1964) refined this further and defined the marketing mix as a combination of all of the

[119] Goonros (1994).

factors at a marketing manager′s command to satisfy the target market.[120] More recently, McCarthy and Perreault (1987) have defined the marketing mix as the controllable variables that an organization can co-ordinate to satisfy its target market. This definition (with minor changes) is widely accepted as can be seen from Kotler and Armstrong′s (1989) definition of the marketing mix: as the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The Chartered Institute of Marketing (2004) gives further support to the above, by describing the marketing mix as the combination of *tactics* used by a business to achieve its objectives by marketing its products or services effectively to a particular target customer group.The essence of the marketing mix concept is, therefore, the idea of a set of controllable variables or a “tool kit” (Shapiro, 1985) at the disposal of marketing management, which can be used to influence customers.

Additionally, Baron, et al. (1991) define marketing mix as “those activities that show similarities to the overall process of marketing, requiring the combination of individual elements”. In this tradition, Czinkota (1993) gives the following definition of the marketing mix: “A complex of tangible and intangible elements to distinguish it in the market place”. Moreover, Palmer (2004) has emphasized that the marketing mix is not a theory of management that has been derived from scientific analysis, but a conceptual framework which highlights the principal decisions that marketing managers make in configuring their offerings to suit customers’ needs.

- ***Elements of the marketing mix***

Even if there seems to exist some kind of conformity on the marketing mix definition in the literature, this is not the case concerning the controllable variables or tools that make it up. It was after the Second World War that Cullotin originated the “P” philosophy of marketing, proposing a long list of Ps, which typified Profit, Planning, Production and so on, and which stood for the key activities of running a business. It was his view that one could differentiate between a “sales orientated” and a “manufacture oriented” company

[120] In a similar vein, Wolfe (2000) posits that the marketing mix provides a means of describing the actions required to fully implement the marketing strategy.

by examining the amount of emphasis given to the different "Ps". Thus, the idea and eventually practice of a marketing orientated company emerged.

On the other hand, the ingredients that Borden (1964) speculates to form the marketing mix included product planning, pricing, branding, distribution channel, personal selling, advertising, promotion, packaging, display, servicing, physical handling, and fact-finding and analysis. However, he did not consider this list of elements to be fixed or sacrosanct and suggested that others may have a different list to his. Indeed other suggested frameworks came up. For instance, Frey (1961) suggested that marketing variables should be divided into two parts: the offering (product, packaging, brand, price, service) and the methods and tools (distribution channels, personal selling, advertising, sales promotion and publicity). In contrast, Lazer and Kelly (1962) and Lazer et al. (1973) suggest three elements to the marketing mix: the goods and services mix, the distribution mix and the communication mix.

However, the most popular and most enduring marketing mix framework has been that of McCarthy (1964) which regrouped and reduced Borden's 12 elements to the now popular 4Ps, namely: product, price, promotion and place. Soon enough, the Four Ps of marketing were treated as the unchallenged basic model of marketing, so totally overpowering previous models and approaches, such as, for example, the organic functionalist approach advocated by Alderson (1950, 1957) as well as other systems-oriented approaches[121] and the parameter theory.[122]

4.3.1 The traditional marketing mix- The 4Ps

The Four Ps of the marketing mix became an indisputable paradigm in academic research, the validity of which was taken for granted.[123] For instance, most marketing researchers in large parts of the academic world still consider it as the marketing truth. Kent (1986) refers to the Four Ps of the marketing mix as "the holy quadruple...of the

[121] Example Fisk (1967) and Fisk and Dixon (1967)
[122] Example Rasmussen (1955) and Mickwitz (1957)
[123] See in this end Gronroos (1989, 1990) and Kent (1986).

marketing faith...written in tablets of stone". The 4Ps formulation is so popular that some authors of introductory textbooks define the marketing mix synonymously with the 4Ps.[124]

Each category in the mix consists of a mix of elements in itself and hence one can speak of "the product mix", "the price mix", "the promotion mix", and "the place mix". These 4P's are, according to McCarthy (1964), the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The ultimate goal here is to make decisions that place the 4P's on the customers in the target market in order to create perceived value and a positive response.

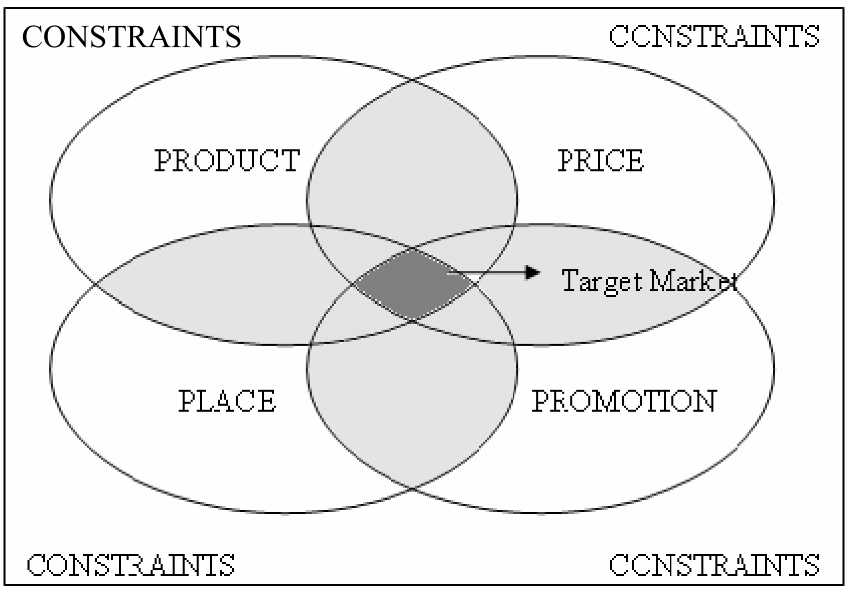

Figure 4.3 depicts McCarthy's (1964) marketing mix

- **Integration of the 4Ps**

The marketing concept, a widely discussed philosophy of business (Webster, 1994), has always stressed the need to integrate the decisions in these four areas to form a unified strategy. This is in line with Darling (2001) who declares that the right product at the right price will not be positioned successfully in the mind of the consumer if it is not also at the right place and at the right time. The mix consists in combining these factors in a

[124] See for example Pride and Ferrell (1989); and Stanton et al. (1991).

coherent and optimized way. Therefore, once the product is developed, managers have to determine a marketing plan including how it is to be priced, delivered, and promoted.

4.3.1.1 The Product Mix

The traditional marketing mix proposes that managers have to decide first on the product they hope to sell to consumers. Such decisions involve chiefly the features the product will have, its benefits for consumers, the level of quality offered, quantities, and package forms. Darling (2001) states that, it is the various elements that make up the product component of the market offering which is called the product mix. In addition, marketing executives must plan the product mix that will result in a combination of elements such as physical product, product services, brand and package desired by the target consumers.

The concept of 'product' can be defined in various ways. According to Kotler (1984), a product is defined as "anything that can be offered to a market for attention, acquisition, use or consumption; it includes physical objects, services, personalities, places, organisation services and ideas". This is in line with Stanton et al. (1992) who broadly describe a product as an umbrella term that includes tangible goods, services, places, persons and ideas. Alternatively, Doyle (1994) defines a product as "anything that a firm offers to satisfy the needs or wants of customers". This can be a physical object such as a soft drink or a printing paper, but it can also be an intangible service such as a technical advice or just-in-time delivery. The key point is that products are not bought for their own sake but to satisfy a need or a want. The product offer can, for example, contain the entire product-service package including technical service, product training, payment conditions, promotion, and distribution in addition to product's physical attributes.

Similarly, Wolfe (2000) declares that the "product" can be thought of as the summation of the individual product's physical and perceived attributes, which would include packaging. The author further declares that the product needs to have desirable characteristics, appropriate packaging and a perceived image consistent with demands of the targeted market.

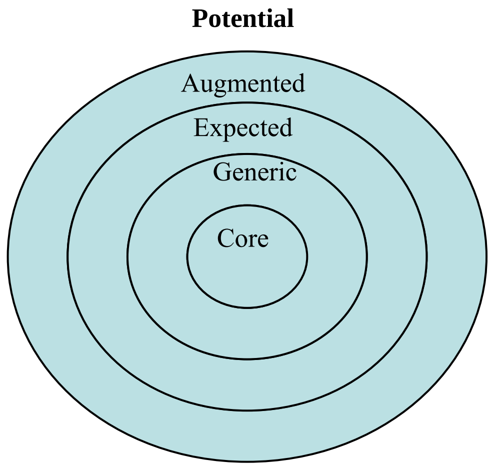

Figure 4.4 shows the different level of products

When determining its product strategy, it is useful for the firm, to think about different level of product satisfaction. This is in line with Hatten (2003) who propounds that products are the *bundle of satisfaction* that consumers receive in exchange for their money. As such, the most basic level of product satisfaction is its core benefit; the core benefit is the fundamental reason why people buy products. For instance, for an automobile the core benefit that customers purchase is transportation from point A to point B; and with a hotel room, the core benefit is a night's sleep. The next level of product satisfaction is the generic product. While for an automobile, the generic product is the steel, plastic and glass, for the hotel, it is the building, the front desk and the rooms.

The third level of product satisfaction is the expected product, which includes the set of attributes and conditions that consumers assume will be present. Furthermore, the augmented product, which is the fourth level of product satisfaction, is all the additional services and benefits that can distinguish a business from its competitors. For example, night vision built into windshields, satellite-linked navigational systems in autos, and express checkout and health facilities in hotels are product augmentations. However, the problem with product augmentation is that they soon become expected. The fifth and final level is the potential product, which includes product evolutions to come.

As such, companies have to learn about individual consumer needs and wants, design and make to deliver a customised product (Hof, 1998). They have to engage in a genuine dialogue with customers to get their input before, during, and after the product is consumed. This personalisation approach stresses a genuine interest in and concern for consumers as individuals. It is more than the one-way street of conventional relationship marketing where consumers are asked for loyalty, friendship, and repeat respect, but none is given in return (Fournier et al., 1998)[125]. It means, according to Taylor (1998), a real two-way flow of information where consumer input is not only solicited, but also acted on.

- Personalisation.

Goldsmith (1999) feels that personalisation is such an important element of the overall marketing strategy that it should be addressed in conjunction with product development, and that decisions regarding the nature and degree of personalisation will help guide product development. As managers develop the product they incorporate the degree of personalisation they intend to offer to the market. This consideration can affect the way the product is manufactured through mass-customisation[126] or how individualised a service will be[127]. Many subsequent marketing decisions will be influenced by the personalisation decision. However, the extent to which personalisation is required is a function of consumer preferences, operating efficiencies, and deliberate strategy.

- **Product Portfolio Management**

1. *The product Life Cycle*

Companies must accept that all their products and service have a finite life. This concept provides the basis of a theoretical paradigm known as the Product Life Cycle (PLC), which proposes that products and service pass through the four phases of introduction, growth, maturity and decline (Heldey, 1977). As such, understanding this process can be

[125] See Section 2.2.3.
[126] Anderson *et al*. (1997), Kelly (1996), Oleson (1998) and Pine (1993).
[127] Lovelock (1996).

useful for the marketer who combines this understanding with a thorough knowledge of the individual market.

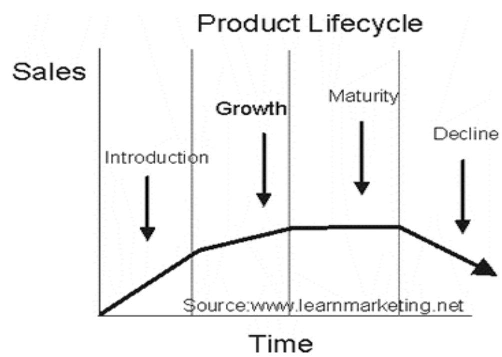

Figure 4.5 The product life cycle

The first stage is the introduction of the product into the marketplace. Growth is initially slow as customers must be persuaded to buy the product. The first few customers are known as ' 'innovators". This period is marked by low profitability, when the organisation is faced with the costs of product development and introduction, coupled with low sales. If the product is successful, then the next stage marks its growth. The graph above shows a dramatic increase in sales as the product quickly achieves popularity and rapid purchases ensue. The customers who rush to buy the product are termed ' 'early adopters". The industry growth is also marked here, as competitors often imitate the product and join the promotional fever, thus helping boost total sales.

After the new buying spree settles down, the product enters its period of maturity. Few new purchases can be expected here, with the impact on the market lessening and the product being purchased by loyal customers. The curve then levels off to the point of saturation, when the market has been almost completely exhausted. Sales expansion can only be expected here if the organisation modifies its marketing mix. At a later stage, the product moves into a state of decline. The product is replaced in the market by a new generation of products resulting from the organisation's or its competitors' innovations. While the concept of the product life cycle cannot be used as a hard and fast rule, it can be a useful tool for management. The concept at least gives an organisation an idea of one likely turn of events, which will probably occur. This then allows management to take a corrective course of action.

If an organisation works on the basis of typical product life cycle, it can avoid the mistake of haphazardly juggling the marketing mix when sales decline. It is sometimes tempting to vary the other variables, such as price, as soon as sales decline. By considering what stage in its cycle the product may be, the organisation can consider if modifications to the product itself are necessary.

Several techniques have been developed to help organisations analyse the effectiveness of their various businesses. This is usually done by viewing products as a group, taking into consideration those at different stages of growth, maturity and decline. The group, which is analysed in this fashion, is known as the "product range portfolio". The balance of that portfolio will reveal an organisation's current stage of profitability and allow it to create sound strategic plans.

A product range portfolio is in many respects similar to an investor's portfolio of stocks and shares. The investor may want a portfolio with a good mix to provide a balance between yield or income and capital growth, or choose to create a portfolio based on risk, with some shares bearing a high risk of capital loss offset against their potential for high earnings. In a similar way, the organisation may choose to assemble or maintain a portfolio to meet its long-term strategy. Objectives may include growth, in which case investment will be carefully monitored, or cash flow, in which case initial high sales will be wanted, or risk. The organisation can examine the product's life cycle and the life cycle of the industry to see how components of the portfolio are growing, maturing or declining. In doing so, the organisation can manage the whole portfolio in terms of strategy. This can only be done through a systematic process of monitoring and analysis.

2. *The Boston Consulting Group (BCG) Matrix*

The "Boston Matrix", also known as the growth/share matrix, is commonly adopted for product portfolio review. The technique offers a simple yet effective way for organisations to assess their portfolio.

The basis of the matrix is that different types of products will generate different levels of cash flow for the organisation. This goes beyond the initial assumptions about products in terms of sales achieved and profitability, because profitability is not always a good indicator of portfolio performance.[128] Cash flow, however, is a key factor associated with the organisation's ability to develop its portfolio management. The Boston Consulting Group went on to develop a way of showing how different businesses generate different levels of cash flow and should, therefore, be managed differently.

The Boston Matrix stipulates that products can be classified according to their positions on two dimensions, namely: the relative market share and the market growth rate. While the market share indicates how well the product can generate cash, and is measured against competitors,[129] market growth will show the cash requirements of the product.

- **New Product Development**

Part of a marketer’s job is managing products through the stages of their life cycle (Hatten, 2003). Trends like increased global competition and quickly changing customer needs have shortened product life cycles and increased the need for new products. Indeed, as a company’s current products enter the stages of late maturity and decline, they need to be replaced with new one in demand.

A new product

A new product concept, as defined by Crawford and Di Benedetto (2003), pertains to anticipated product features (form or technology) that will yield selected benefits, relative to other products or problem solutions that already exist. Belliveau, Griffin and Somermeyer (2002) define a new product as one (either goods or services) that is novel to the firm marketing it –excluding products that are only changed in promotion. Cooper (2001), on the other hand, declares that a new product is considered as new if it has been on the market for five years or less, and includes extensions and major improvements.

[128] Profitability is a factor affected by other influences, such as changes in the non-liquid assets of an organisation (Wills et al, 1989).
[129] It therefore shows how dominant the product is in the marketplace.

Cooper (2001), Crawford et al. (2003) and Kumar and Phrommathed (2005) suggest that a new product can be classified into several categories. Booz-Allen and Hamilton (1982) have identified percentages of new products, and these are described below.

The first category encompasses new-to-the-world products. They are products that have not been seen before and which result in entirely new markets. They may include an innovative technology and may require customer instruction. Choi et al (2005) claim that new-to-the-world products represent only 10% of all new products. The next category is that of new product lines or new product entries, which include products not new to the world but which take the firm into a new category. The new category in an imitation of an existing product and provides entrance into new markets for a company. Even though the product already exists in the market, if a firm introduces the same product into the market, it may be considered as a new product. Furthermore, Cooper (2001) point out that about 20% of all new products fall into this category.

Additions to product lines form the next category of new product described by Booz-Allen et al. (1982). Cooper (2001) views these categories are new items to the firm, but they fit within an existing product line that the firm already produces. Kumar and Phrommathed (2005) report that these categories are the new products that supplement the firm's established product lines. Cooper (2001) proceed further and stipulate that this category is one of the largest categories of new products and accounts approximately to 26% of all new product launches in 1982. The fourth category represents product improvements-current products made better. Practically, every product on the market has been improved. These not so new products can be replacements of existing products in the company's product line. However, they provide enhanced performance or greater perceived value over the old product (Crawford et al., 2003). Cooper (2001) maintains that this category makes up 26% of all new products.

The next category of new product is that of repositioning, which means changing the perception that customers have of the company's product rather than changing the product. Choi et al (2005) further advance that the repositioning concept is about selecting a new market place, solving a new problem and/or serving a new market need for existing products. This repositioned category accounts for about 7% of all new products (Cooper, 2001). The sixth and last category is that of cost reductions, which represents products that provide value and performance similar to those existing products but at a lower cost. For example, food stands that sell hamburgers and hot dogs offer products similar to the big-name fast-food franchises but at a lower price, thus enticing customers with their cost advantage. Cooper (2001) claims that this category represents 11% of all new product launches in 1982.

Choi et al. (2005) highlight that many companies have built competitiveness and obtained tremendous profits through new product development. Similarly, Brentani (2001) declares that the development of new products is essential for exceptional corporate performance. Ulrich and Eppinger (2004) have described new product development as the set of activities beginning with the perception of market opportunity and ending in the production, sale and delivery of a product. Belliveau et al. (2004) explain that new product development is the overall process of strategy, organization, concept generation, product and marketing plan creation and evaluation and commercialization of a new product.

New product development is one of the riskiest, but most critical strategies in any competitive industry (Cooper, 2001). Indeed, successful new product development allows market expansion, increases profits and enhances creativity and leadership. However, it has also been reported that new product failure rates are considerable, and cost of failure is high. The foremost reasons, propounded by Crawford et al. (2003), responsible for new product failure are: there was no need for the product or there was a need but the new product did not meet that need. Failures have also been linked to poor market research, poor positioning, inadequate support from distribution channel, poor timing, competitive response and major changes in technology (Urban et al, 1993).

- **Packaging and brand**.

Wolfe (2000) defines packaging as a significant aspect of the product component. Sometimes, it may be as simple as customers in France carrying long loaves of unwrapped bread or small dealers in Italy wrapping vegetables in newspapers or placing them in customers' string bags. In most industrialized countries, however, the packaging of merchandise has become a major part of the selling effort, because marketers now specify exactly the types of packaging that will be most appealing to prospective customers.

- **The concept of Branding**

A brand is the sum of all the information about a product, a service, or a company that is communicated by a name or related identifiers, such as logos or other visual cues. The brand is not the name itself; a corporate name that does not communicate anything of substance is not a brand. Kotler (1998) has stated that a brand is not only a name but also a deep set of meanings. If a company treats a brand only as name it misses the point of branding.

Branding is also a brand-related action. This means a way of thinking of the company and its products and services as a set of tangible and intangible attributes and values which are distinctive, appropriate, consistent and prosecutable (Kotler, 1998). In branding, companies aim to fulfill the expectations of particular groups of customers by consistently providing an appropriate combination of attributes. Branding should be regarded as a strategic device, influencing both the company itself and its customers. In a similar vein, Kapferer (1992) and Murphy (1990) define a brand as an agreement or an alliance between the seller and the buyer. A brand enables a buyer to make a purchasing decision with confidence and provides a seller with higher volumes, often, higher margins, provides easier acceptance of new products and greater certainty for future demand. A brand is a seller’s promise, a sort of guarantee, to provide customers with consistent quality, performance and benefits. The brand protects the customer and the producer from competitors, who attempt to provide products that appear identical.

Haarla (2003) argues that brands fulfill multiple roles. Most importantly, a brand provides a guarantee by the producer to the consumer of the quality of the product. It does so in several ways. At its most basic, a brand identifies the producer of a product.

This ensures that the producer is legally and morally accountable for the products supplied to market. Further, the brand represents an investment that provides an incentive to maintain quality and customer satisfaction.

Hence, the brand represents a guarantee to the customer that reduces uncertainty and search costs. The more difficult it is to discern quality on inspection, and the greater the cost to the customer of purchasing a defective product, the greater the value of a brand. The traditional role of the brand as a guarantor of reliability has become of particular significance in e-commerce. Internet transactions are characterized by the anonymity of buyers and sellers, lack of experience between most buyers and sellers, and lack of government regulation. As a result, well-established players in e-commerce – AOL, Amazon, Microsoft, eBay, and Yahoo! – carry substantial brand equity[130] in terms of reducing buyers' perceived risk. By contrast, the value conferred by leading consumer brands such as Coca-Cola, Harley-Davidson, Mercedes-Benz, Gucci, Virgin, and American Express is less a guarantee of reliability and more of an embodiment of identity and lifestyle. For these brands, advertising and promotion have long been the primary means of influencing and reinforcing customer perceptions.

- Brand equity

Due to the growing recognition of brands as valuable assets to a firm, the concept of brand equity in particular has been the focus of research by academic institutes as well as by industrial firms. Aaker (1991) defines *brand equity* to be "a set of brand assets and liabilities linked to a brand, its name and symbol which add or subtract from the value added by a product (or service) for a firm and/or for that firm's customers". Brand equity refers to the power and values, which a brand has in the market place. Dolak (2003) explicitly adds that *brand equity* is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset. It includes the monetary value or the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product; the intangible value associated with the product that cannot be accounted for by price or

[130] The concept of brand equity will be tackled later.

features; and the perceived quality attributed to the product independent of its physical features.

Brand equity has four elements, which guide brand development, management and measurement: 1) *Brand awareness*[131] is an often under-valued asset. Awareness, however, has been shown to affect perceptions and even taste; 2) *Perceived quality* influences brand associations and it has been empirically shown to impact on profitability; 3) *Brand associations* can include capturing user imagination, product attributes, new circumstances, organisational associations and symbols. Brand management[132] frequently focuses on brand associations and their management; 4) *Brand loyalty* is at the heart of any brand's value. The concept is to strengthen the sides and intensity of each loyalty segment (Aaker and Joachimsthaler, 2000).

In this end, businesses are now seeking new and more effective ways of increasing brand awareness and more importantly, create brand loyalty. Bloise (2002) identifies that one of the most important tasks involved in ensuring a brand's success is to develop an effective branding strategy. In order to make one's brand[133] superior its competitor's, the company must develop a brand proposition that will provide an attractive, unique, and relevant message to current and potential customers. In addition, this proposition must be realized and consistently echoed by senior executives, customer support, R&D teams, marketing staff, sales staff, and strategic partners.

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[131] According to Brand awareness is when people recognize your brand as yours (Dolak, 2003). This does not necessarily mean they prefer your brand (brand preference), attach a high value to, or associate any superior attributes to your brand, it just means they recognize your brand and can identify it under different conditions. Brand awareness consists of both brand recognition, which is the ability of consumers to confirm that they have previously been exposed to your brand, and brand recall, which reflects the ability of consumers to name your brand when given the product category, category need, or some other similar cue.

[132] Brand management recognizes that the market's perceptions may be different from what the seller desires while it attempts to shape those perceptions and adjust the branding strategy to ensure the market's perceptions are exactly what you intend.

[133] The object of positioning a brand is to cause people to feel that there is no completely satisfactory substitute for the brand.

4.3.1.2 The Pricing Mix

Pricing represents one of the more visible decision variables confronting a firm's managers. Moreover, because price is the only element which generates revenue, it has an impact on the profit the enterprise makes and as such is regarded as an extremely important element Indeed the prices charged for products and services send clear messages regarding customer value and company objectives. For most firms, however, pricing has been and inevitably still is, one of the least emphasized of strategic issues.

Price management includes a large number of decisions. Even if opinions vary as to how a manager should implement a pricing policy (Carson et al, 1998), there is a consensus, widely disseminated in the textbook literature, that successful pricing can only be achieved when a multiplicity of factors are considered and managed. However, firms have to make decisions pertaining to price objectives,[134] overall price strategy, structural questions regarding product line and market segment price differentials, the employment of various types of price promotions and discounts, and the establishment of specific price level for individual products and services. However, it is thought that when taking decisions with regards to pricing, the firm must ensure that the pricing objectives are entirely compatible with the objectives set for the organization. However determining the optimal price requires a close look at the different factors affecting price.

- **Factors affecting pricing**

Kotler and Amstrong (1996), on the other hand, have discussed the internal and external factors affecting pricing. They posit that while internal factors include the company's marketing objectives, marketing-mix strategy, cost and organization and external factors encompass the nature of the market and demand, competition and other environmental factors like the economy, resellers and government. Among the common objectives that a

[134] Stanton et al.(1992) have enumerated the following pricing strategies: profit oriented (to achieve target return and/or to maximise profit), sales oriented (to increase sales volume and/or to maintain or increase market share) and status quo oriented (to stabilise prices and/or to meet competition).

company may set, there is also the product-quality leadership[135], which is the use of price to signal high quality in an attempt to position the product as the quality leader. The authors also reasoned that this normally calls for charging a high price to cover such quality and the high cost for R&D. Additionally, Jobber (1995) suggests ten such factors, which he believes mangers must consider if they wish to be marketing driven in their pricing.[136]

- **Pricing strategies**

Even if there is no practical formula to determine an ideal price for a product or service which will simultaneously satisfy the business objectives and also embrace all aspects of the cost of the product, the demand and competition (Marx and Van der Walt, 1993) determining a product’s price is a critical marketing tactic (Wolfe, 2000). Management thus follows different approaches to setting prices.

Shaw (2002) found that there are three generic approaches to determine price, known as the 3 C’s of pricing: customer (or demand), competitor, and cost oriented pricing. The highest price possible to charge is the maximum that a customer is willing to pay. The lowest price a firm can offer, and remain in business for long, is its cost of goods plus operating expenses. Typically prices are set somewhere between these two based on competitor’s prices.

In demand oriented pricing, customers are charged the highest price that each segment is willing to pay, usually phrased: "what the traffic will bear." Competitor oriented pricing, on the other hand, is particularly common in industries known as oligopolies. These industries sell commodities like steel or aluminum or coal, and all competitors charge the same price, known as the going-rate price. Since a firm can sell all of its output at the prevailing market price, by lowering price it loses revenue. If it charges a higher price than competition no one buys from them. Competition oriented pricing is also prevalent

[135] The others being survival, current profit maximization and market-share leadership.
[136] These ten factors are marketing strategy, price-quality relationships, product line pricing, negotiating margins, political factors, costs, effect on distributors/retailers, competition, explicability and value to customer.

in mature markets, where firms are afraid to rock the boat. Lastly, the cost oriented pricing relates the price to cost. This method is particularly popular in wholesaling and retailing where a standard markup is common, such as “keystone” pricing or 100 percent markup above cost. It is the simplest of the pricing methods but ignores current demand for the product and competitive forces and is therefore not necessarily optimal. There is also the break-even analysis and target profit pricing which requires a firm to determine the target profit that it wishes to achieve and then set a price that should enable it to achieve this level.

In the introductory stage of a product lifecycle, however, there are fewer competitors and therefore there is more flexibility in price setting. This poses the challenge to marketers to determine an appropriate pricing strategy. The market skimming policy, for example, involves setting a price high to skim the maximum profit from the segments willing to pay the high price. A company will make fewer sales each will be but more profitable. This policy is most effective if the product has a product quality and image consistent with the higher price.

Alternatively, the market penetration policy involves setting a low initial price to penetrate the market quickly and build market share and brand loyalty before competitors enter onto the market. Although obtaining smaller profit margins, the volume of sales will be larger than under a price skimming policy. The policy is particularly attractive if the organisation enjoys economies of scale (lower cost per unit at high volumes) by producing in larger quantities. This policy is more successful for low involvement, repeat purchase products.

- Pricing tactics

The pricing section discusses the price, the rationale for choosing it, as well as any discounts, allowances, trade margins or adjustments (Shaw, 2002). Companies often adjust their prices after the initial price has been determined. These price changes account for various customer differences and changing environmental situations. For example, discounts and allowances are introduced to reward customers for certain responses. These discounts and allowances may be in the form of cash discounts to reward customers who pay their bills early, with the purpose of improving the sellers cash flow; quantity discounts to reward customers who purchase in large volumes; functional discounts to reward trade channel members for performing particular tasks such as storing, transporting etc; seasonal discounts which are designed to stimulate demand in off-peak periods and reward customers who purchase during this time; and lastly there is the promotional allowance to reward dealers for participating in advertising and sales support programs.

Moreover, there is what is known as discriminatory pricing which involves the selling of a product at two or more prices when the difference in price is not based on the cost of producing the good. For this to be effective the market must be segmentable and the different segments must have different levels of demand. This can take the form of customer segment pricing, product form pricing, location pricing and time pricing. In using psychological pricing, sellers consider the psychological impact the price will have on the consumers. Consumers often associate higher priced products with higher quality. Also buyers carry prices in their mind that they compare when looking at the price of a product. Marketers can use this knowledge to their advantage also. This theory may explain why a number of products are priced at $9.99 etc.

Additionally there is promotional pricing, whereby companies temporarily reduce their prices to encourage short term sales. This can take several forms including loss leaders, special event pricing and cash rebates. Lastly, a company may decide to price their product to various geographic locations. To cover the extra cost of shopping, companies can use FOB-origin pricing, uniform delivered pricing, zone pricing, basing point pricing and freight absorption pricing.

4.3.1.3 The Promotion Mix

Promotion is concerned with ensuring that customers are aware of the products that the organisation makes available to those customers. More specifically, the objectives of any promotional strategy will be drawn from an appropriate mixture of the following roles of promotion to: increase sales; maintain or improve market share; create or improve brand recognition; create a favourable climate for future sales; inform and educate the market;

create a competitive advantage, relative to competitor's products or market position and; improve promotional efficiency (Rowley, 1998). This is in line with Darling (2000) who adds that its purpose is to inform and persuade consumers, both of which will affect the position of the firm's market offering on the "ladder" of recognition and preference in the minds of consumers.

The first stage, before deciding on which promotional tools to use, is to characterise the target audience. This target audience may include the complete market segment for the product or the organisation, or a specific promotional strategy may be targeted more narrowly at a niche within the broader segment. Messages and channels may be selected accordingly, but care must be taken to ensure that other groups in the market segment are not alienated by the messages that might be associated with a niche strategy. The characteristics of the audience need to be understood. Segmentation might be applicable in this instance, but in addition it will be important to garner an understanding of the types of marketing messages to which the audience is likely to be susceptible (for example, is quality or price a priority?) and to be aware of the audience's current image of the company and its products.[137]

Communication channels can be divided into personal communications and non-personal communications. *Personal communications channels* are those in which two or more people communicate with one another, and word of mouth is the primary means of communication, although other media, such as e-mail are growing in significance. There are three types of personal communication channels: advocate channels, such as company sales people; expert channels, such as independent experts, including software and CD-ROM reviewers; social channels and consultants, such as friends, professional colleagues and professional networks.

Alternatively, non-personal communication channels are those in which communication is through some other medium other than person-to-person. These include: The press including national and regional newspapers and magazines, but most significantly for the information industry, trade, professional and technical journals; television, including

[137] This relates to the concept of branding discussed earlier.

satellite and cable television. The expensive nature of this medium means that it is only an option for major advertisers; radio offers a wide range of competitively priced promotional options. In general, it is deemed to have less potential impact than television since there is no visual image; posters can be projected in a wide variety of different environments such as on billboards at the roadside, the underground and other public places, such as libraries and notice boards within organisations.

- **Elements of the promotion mix**

An appropriate promotional mix[138] must be created in order to meet the promotional objectives of any given promotion strategy. The promotional mix is the combination of different promotional channels that is used to communicate a promotional message (Rowley, 1998). This will involve an appropriate selection from the range of tools that are available for use as part of the promotional mix. The different tools in the promotional mix are described below.

1. *Advertising*.

Advertising is ubiquitous and virtually unavoidable for the average consumer (Harker, 2000). Galbraith (1968) postulates that the main function of advertising is to create markets for the products that technology is making available. He argues that as the productive ability of society increases through modern technology, advertising has emerged to create the demand for those goods. Thus, rather than telling the public what is available, advertising functions to create the demand for what is available. As such, advertising is considered as any paid form of non-personal presentation and promotion of ideas, goods or services by any identified sponsor. Advertising methods to promote the firm's product or service include the following: radio, television, print, electronic like Company Web sites and word of mouth.

[138] Rowley (1998) has pondered upon the factors that need to be considered in establishing an appropriate promotional mix. These include: the available budget of the company; the marketing message; the complexity of the product or service; market size and location; distribution of the product; the stage in the product life-cycle and; competition.

2. *Direct marketing*.

Direct marketing is a wholly modernist phenomenon (Patterson, 1998).[139] Nevertheless, definitional difficulties occur because direct marketing is neither a medium (like direct mail) nor a channel of distribution (like mail order): “Rather it is a means of communication which encompasses both media and channels, and multi-media and multi-channels at that” (Young, 1993). This corresponds to the US Direct Marketing Association's media-based definition which describes direct marketing “as any direct communication to a consumer or business recipient that is designed to generate a response in the form of an order (direct order), a request for further information (lead generation), and/or a visit to a store or other place of business for purchase of specific product(s) or service(s) (traffic generation)”. Alternatively, direct marketing has been defined by the UK Direct Marketing Association as “communications where direct contact is made, or invited, between a company and its existing and perspective customers, and results are measured to assess return on investment”. Direct marketing can take the form of mail, telephone or other non-personal contact tools to communicate with or solicit a response from specific customers and prospects.

3. *Sales promotion*.

Sales promotions can offer many consumer benefits, the most obvious being monetary savings, although consumers also may be motivated by the desire for quality, convenience, value expression, exploration and entertainment (Babin et al., 1994; Hirschman and Holbrook, 1982).[140] The boundaries defining sales promotions are neither clearly drawn nor used consistently, but a relatively workable definition of sales promotions is “marketing activities usually specific to a time period, place or customer

[139] It is according to Evans et al (1995), the direct marketing industry has been the fastest growing sector of marketing communications for more than a decade.
[140] These benefits are further classified as either utilitarian or hedonic (see Chandon *et al.*, 2000). Utilitarian benefits are primarily functional and relatively tangible. They enable consumers to maximise their shopping utility, efficiency and economy. In general, the benefits of savings, quality and convenience can be classified as utilitarian benefits. By contrast, hedonic benefits are more experiential and relatively intangible, associated as they are with intrinsic stimulation, fun and pleasure.

group, which encourage a direct response from consumers or marketing intermediaries, through the offer of additional benefits" (Peattie and Peattie, 1994). Additionally, Blattberg and Neslin (1990) describe sales promotion as an action-focused marketing event whose purpose is to have a direct impact on the behavior of the firm's customers. Sales promotion events or activities initiated by manufacturers and retailers can be classified into three categories: consumer promotions[141]; trade promotions[142]; and retailer promotions. [143]

4. *Public relations.*

Firms are charged with the responsibility for developing and maintaining relations with publics such as financial (city and investors), government (local, national, international), communities via social responsibility, charitable endeavours (linked to strategic considerations), general publics (targeted key consumer groups), distributors, suppliers and consumers. Hence, just as in marketing, where firms have to adapt to changing markets or environments, firms had to use public relations in order to determine, develop, encourage and sustain relations with these key publics relative to their competitive domain. This is in line with Cutlip et al (1985) who describe public relations as the management function that identifies, establishes, and maintains mutually beneficial relations between an organization and its publics upon whom its success or failure depends. To summarise it all, public relations is concerned with managing perceptions of the image of the product or service (Gray et al, 2004). Examples of public relations activities are programmes designed to promote and/or protect a company's image, or those of its products, including product literature, exhibitions and articles about organisations' products in professional or in-house newsletters.

[141] Consumer promotions (e.g. coupons, samples, contests, sweepstakes, and price packs) are typically employed by manufacturers to stimulate purchases by ultimate consumers.
[142] Trade promotions, such as case allowances and bill-backs, are designed by manufacturers to motivate marketing intermediaries or channel members to stock and promote products.
[143] Retailer promotions including price cuts, store displays and featuring activities, are initiated by retailers to attract shoppers and in-store purchasing.

5. *Personal selling*.

With increasingly fragmented markets, the role of personal selling becomes extremely important. Personal selling is defined as “the personal communication of information to persuade a prospective customer to buy something – a good, service, idea, or something else” (Futrell, 1992). Brooksbank (1995) suggests that personal selling is a critical component of marketing success. He defines the personal selling process as the “positioning of goods or services in the mind of a particular prospective customer”. Johnston and Marshall (2003) believe that personal selling messages have the potential to be more persuasive than advertising or publicity due to the face-to-face communication with customers. Personal selling involves face-to-face interactions with one or more prospective purchasers, for the purpose of making sales.

- **Determining communication objectives**

In addition to the objectives of the promotional strategy, there are the objectives of the communication strategy. The way in which these objectives can be categorised depends on the model of the communication or promotional process that is regarded as appropriate. Each can be identified as having three different stages: 1) the *cognitive* stage during which potential customers become aware of products, 2) the *Affective* stage during which customers form opinions and attitudes concerning products and 3) the *behaviour* stage during which customers take action (such as making a purchase) on the basis of their experiences in the first two stages.

Each communication strategy must have a message that is consistent with its communication objectives. The message will often strongly reflect the unique selling proposition (USP) of the products. The USP is the unique set of benefits which the producer believes are provided by their product, and which will be of interest to their customers. Where promotion focuses on a brand or corporate image or identity, this will form the basis of the marketing message. Another factor that needs to be taken into account is message consistency between different campaigns. An organisation needs to promote a consistent, if evolving image through all of its separate campaigns, otherwise the audience will become confused and no overall clear message will be communicated. The elements of the message that need to be considered are: content - what to say; structure - how to say it logically; format - how to say it symbolically; and source – who should say it or act as the spokesperson.

4.3.1.4 Place (Distribution)

Place refers to the general concept describing how the product will get to consumers. It includes how the product will be physically distributed and addresses issues relating to what distribution services are needed, how the services should be provided and what resources are needed to distribute the product. This is in line with Hatten (2003), who writes that in marketing, has two meanings : the physical transportation of products from one place to the next, and the relationships between intermediaries who move the products-otherwise called the channels of distribution.

Goods may be promoted and priced correctly but if they are not available in the right location for the consumer all the effort will have been wasted. To correctly and successfully position the market offering, marketing executives must be concerned with such elements as the basic design of the marketing channel, the types of middlemen, and the extent of market coverage (Aulakh and Kotabe, 1997). Therefore, the distribution component mix is that combination of such elements as marketing channel outlets, storage facilities, inventory control procedures and shipping facilities put together by marketing managers to create the desired market offering competitive position in the consumers' minds.

- **The different types of distribution channels**

The method of distribution is extremely important as it could affect how products are received and how they are sold. Hatten (2003) argues that there are two types of distribution channels: direct and indirect. With a direct channel, products and services go directly from the producer to the consumer, whereas with indirect channels, the products pass through various intermediaries before reaching the consumer.

1. Direct channels

Direct selling involves selling directly to customers, be it sales through retail, door-to-door, mail order, e-commerce, on-site, or some other method. The advantage of this type of distribution is that the firm will be in direct contact with its customers and as such, can easily detect the subtle changes which are occurring and adapt to the changes; i.e. demand for price changes or overall demand for its products. The firm can also have complete control over its product range, how it is sold and at what price. However, direct sales can come at a price since the firm will need storage facilities or retail premises to sell its products directly. Shopping carts on the internet required a degree of Internet knowledge to pull it off and building consumer confidence can prove a tricky business.

2. Indirect channels

Retailers

If the running of its own retail outlet is too expensive, then the firm may consider selling to existing retail outlets. However, the cost of administering such a system may be considerable. Firstly, the firm will need a sales team to liaise with the retailers on issues pertaining to new products, price and promotion. It will also have to devise a distribution method to deliver its products to the many small outlets in which ever region of the country it is selling to: this would cost a small business quite a lot of money and effort.

The financial side also needs to be considered, as the small firm will have to administer a number of small accounts at the same time.

Wholesalers

Alternatively the firm may, instead, decide to sell through a retailer or merchant supplier depending on the product. If the firm chooses this option, it may lose some of its company identity. For example the supplier may request that the firm's product be sold under the merchant or wholesaler brand name. The company will also lose contact with its end-consumers and so will be unable to gauge or identify the subtle changes occurring with regards to its products. However, selling to wholesalers or merchant suppliers reduces the distribution problem, as this will be done for the firm. In addition, the firm will be able to reduce the level of storage space required. Nevertheless, a firm may decide to have a combination of all the distribution methods to maximise your level of distribution.

- **Market Coverage**

Irrespective of whether the firm sells its product directly through a reseller or a wholesaler, it must decide what its coverage will be in distributing its product. It can either opt for an intensive distribution which entails a widespread placement in as many places as possible, often at low prices. Large businesses often use this method to market on a nationwide level. Alternatively, the firm can go for a selective distribution, that is, narrow distribution to a few businesses. Often, upscale products are sold through retailers that only sell high-quality products. With this option, it may be easier to establish relationships with customers. Lastly, there is the exclusive distribution which restricts distribution to a single reseller. The firm may become the sole supplier to a reseller who, in turn, might sell only the former's product. Specialty products tend to perform better with exclusive distribution.

Nonetheless, even if, McCarthy's 4Ps framework is popular, there is by no means a consensus of opinion as to what elements constitute the marketing mix. In fact the 4Ps framework has been subjected to much criticism. Kent (1986), for example, argues that the 4Ps framework is too simplistic and misleading. Various other authors have found the 4Ps framework wanting and have suggested their own changes. Nickels and Jolson (1976) for instance, suggest the addition of packaging as the fifth P in the marketing mix. Mindak and Fine (1981) suggested the inclusion of public relations as the fifth P. Kotler (1986) suggests the addition of Power as well as public relations in the context of "megamarketing". Payne, and Ballantyne (1991) suggest the addition of people, processes, and customer service for relationship marketing. Judd (1987) suggests the addition of people as a method of differentiation in industrial marketing.

4.3.2 The extended marketing mix – 3 Extra Ps

Services marketing theorists have taken great pains to distinguish services marketing from product marketing (e.g. Berry, 1980). The major focus has been on rethinking the marketing mix and showing how it is different for services. By demonstrating that the marketing of services requires different decisions than goods marketing requires, these thinkers present services marketing as a unique and distinct type of marketing.

The services marketing mix differs chiefly from the 4Ps given the addition of three new decision responsibilities that must be integrated to form a coherent and effective services marketing mix. Lovelock (1996) claims that services marketing theorists staked out a new field of management theory and practice separate from the marketing of tangible goods by adding personnel, physical assets, and procedures to the marketing mix, forming the 7Ps. Such a conceptual advance has, in turn, caused a re-evaluation of traditional marketing management thought by obscuring the boundary between goods and services, forcing the realisation that many products consist of elements of both tangible goods and intangible services.

Levitt (1981) states that everybody sells intangibles in the marketplace no matter what is produced in the factory. Levitt (1972) further adds that 'there is no such thing as the service industries. There are only industries whose service components are greater or lesser than those of other industries. Everybody is in service'. This is similar to Shostack′s (1977) view of goods and services as a continuum with goods being tangible-dominant and services being intangible-dominant. Similarly, Foxall (1985) contends that what is exchanged in a marketing transaction "is a service (or a bundle of services) which may or may not involve the transfer of a physical entity". Cowell (1984) goes even further and contends that there are no fundamental differences between marketing of goods and services: What differences there are, are of the sort often drawn to distinguish between "consumer marketing" and "industrial marketing" that is differences of degree and of emphasis...the same principles and concepts are of relevance to all fields"

4.3.2.1 The fifth P - People

The service personnel are the people who provide the quantity surveying firm's services to its clients. They are the professional quantity surveyors. They are important because they represent the firm and form the firm's image through their behaviour and attitudes. If service personnel are cold or rude, they can undermine all the marketing work done to attract customers. If they are friendly and warm, they can increase customers' satisfaction and loyalty (Kotler, 1982). Clients' perceptions of the quality of services can also be influenced by other clients. There are a few ways in which firms may maintain and improve the quality of their personnel as well as their performance. These are: careful selection and training of service personnel; activate an awareness towards marketing within the organization; using practices to achieve consistent behaviour from employees; ensuring consistent physical appearance; reducing the importance of personal contacts; and careful control through an internal service personnel audit.

There are different types of salesperson. There is the *product delivery* salesperson. His or her main task is to deliver the product, and selling is of less importance e.g. fast food, or mail. The second type is the *order taker*, and these may be either 'internal' or 'external.' The internal sales person would take an order by telephone, e-mail or over a counter. The external sales person would be working in the field. In both cases little selling is done. The next sort of sales person is the *missionary*. Here, as with those missionaries that promote faith, the salesperson builds goodwill with customers with the longer-term aim of generating orders. Again, actually closing the sale is not of great importance at this early stage. The forth type is the *technical salesperson*, e.g. a technical sales engineer.

Their in-depth knowledge supports them as they advise customers on the best purchase for their needs. Finally, there are *creative sellers.* Creative sellers work to persuade buyers to give them an order. This is tough selling, and tends to offer the biggest incentives. The skill is identifying the needs of a customer and persuading them that they need to satisfy their previously unidentified need by giving an order.

4.3.2.2 The sixth P -Physical evidence

Physical evidence can help create the environment and atmosphere where the services are performed and influence clients' judgement of the firm. They can include components such as the physical environment (for example, furnishings, colour, layout and noise). It is difficult to measure, define and control the image that is perceived by the client as image can be very subjective. Hence, there is a need to manage physical evidence to ensure that the image conveyed conforms to the image desired. Some organisations depend heavily upon physical evidence as a means of marketing communications, for example tourism attractions and resorts (e.g. Disney World), parcel and mail services (e.g. UPS trucks), and large banks and insurance companies (e.g. Lloyds of London).

4.3.2.3 The Seventh P - Process

For the purpose of the marketing mix, process is an element of service that sees the customer experiencing an organisation's offering. Clients are also interested in the process of how services are delivered. They Clients judge services by the efficiency and effectiveness of the service process, including the policies and procedures adopted, the degree of mechanization used in the service provision, the amount of discretion employees have, the client's involvement with the process of service performance, the flow of information and service, the appointments and waiting system and the capacity levels available.

4.3.3 Marketing as tactics in SMEs

Various management writers[144] have proposed the use of the tactical marketing concept, the traditional 4Ps (McCarthy, 1960), as the prescription to assist small business owner-managers grow or survive. The presupposition is that marketing concepts are equally applicable to both large and small firms. It has been argued[145] that since most SMEs will have a product or service which they will offer at a price and they will promote this through some kind of medium that reaches their market place, it can be easily determined that SMEs marketing can be described under the frameworks of the 4Ps. Romano and Ratnaga (1995) assert that the predominant characteristic of the literature that considered marketing as tactics in small enterprise studies has been the discussion of the 4Ps of marketing in partial or full analysis in seeking new markets or developing existing markets. The researchers have asserted that these studies provide evidence that marketing as tactics in the context of the 4Ps is of value to the small firm, since most of them inferred that analysis of the 4Ps influenced the performance or growth of small firms by establishing new markets or enhancing existing markets.

However, it has been argued by Carson et al (1995) that the strong entrepreneur will most probably pick and choose those preferred aspects of the marketing mix in a haphazard fashion, which is entirely in line with the entrepreneurial nature and personality and at odds with formal marketing requirements. This supports the earlier declaration of Carson and Gilmore (2000) that an SME-specific version of marketing mix borrowed from traditional marketing 4Ps can guide the SME thinking and doing business. In addition, it has been demonstrated that owner-managers in small firms do not define their own marketing mix in terms of product, pricing, place and promotion and prefer interactive marketing[146]. They specialize in interactions with their target markets because they have strong preferences for personal contact with customers, rather than the impersonal

[144] See Hazel and Reid, (1973); Moss and Clarke, (1990); Steinhoff and Burgess, (1989)
[145] See Baker (1999).
[146] Interactive marketing describes the employees' skill in serving the client; see footnote 73.

marketing of mass promotion (Day et al., 1998).[147] In a similar vein, Zontanos and Anderson (2004) state that, due to the lack of formalized planning in small firms, it is very difficult to use transaction-marketing techniques such as the 4Ps or market segmentation. They instead advocate that very different 4Ps, “person”, “process”, “purpose” and “practices” shall be used.

In addition, it has been argued that if image and personal service are important features of an enterprise’s standing, these will be an integral part of its marketing mix. Often the product is the firm, so this too will be an integral part of its mix. Of course, many of the 4Ps aspects will be inherent in the SMEs activities, for example, communication and delivery will be inherent aspects of image and personal service. Clearly, the concept of the 4Ps will be adapted to suit the SME, so that for example, an entrepreneur may find it sufficient to describe a marketing mix as product, image and personal service.

It is found that this is in line with the perspective that for an SME practitioner to accept a concept such as the 4Ps it must have relevance, therefore, if a simple 4Ps description is not relevant to an entrepreneur it will not be used. This is a significant issue in that marketing activities in SMEs will always by pragmatic, practical and relevant to the individual SME; anything which does not meet these conditions is academically theoretical and of little value.

4.3.3.1 Small Firms and their Product mix

Hermann (1995) postulates that the SME’s strengths often reside in its product. In recognition of the risk associated with a small firm depending upon a single product, which has a finite life, it is thought that the more successful small firms will have a number of products positioned at different stages on the life cycle curve. Nonetheless, most SMEs will not have broad, all-encompassing and carefully planned and balanced product ranges. Instead, they are likely to have a narrow product base, in some cases

[147] It is to be noted that even if it is the choice of marketing approach, this may also reflect the limited resources of the smaller firm.

single products or a core product with a few minor variations, where quality and purpose are likely to be one-dimensional (Carson et al, 1995).

Introducing new products is an important entrepreneurial activity (Simon, Houghton, and Aquino 2000) and can be the lifeblood of small companies. New product introductions, however, are extremely risky. Although a successful product introduction can make the small business entrepreneur rich, a flawed introduction can cause the business to fail. Thus, an entrepreneur's ability to manage the company's product introductions is essential to a company's success. Hermann (1995) claims that in matter of new product development, it seems that small firms rely on their customers. Johne and Rowntre (1991) give support to Hermann’s (1995) view since they conclude that most products are developed because there was a direct incitement from a few clients to do so, or because the small firm has identified the emerging needs of a number of its customers with which it has always maintained a tight relationship.

Ogwo (1987) has examined the status of marketing in Nigerian firms and found that marketing input in product development was minimal. In all but three firms surveyed, product development was the sole responsibility of the production unit. In all other companies, scant attention was paid to consumer needs. In these three firms, however, marketing input was taken quite seriously, and customer reaction to products was assessed regularly. These companies also determined how their products compared, in the eyes of consumers, to those of their competitors. In none of the companies surveyed, however, was a conscious effort made to perform research for new product development. Most, if not all, of these firms were imitative rather than innovative. Also, companies are not aware of its marketing share.

Kinsey (1987) revealed in his study that most of the small firms sampled manufactured less than five products. Half of the fifty respondents said the nature of the product had changed over the last five years, resulting in a broadening of the product range in nearly 21 of the 25 cases. This took place most often in response to customer demand, with technology cited as a reason by a much smaller number of firms. While 62% of the sample argued they did not expect any change, most that did viewed it as necessary in order to increase sales or simply to survive, rather than because of changing technology, social forces, or other influences on markets.

Moreover, Peterson (1988) has analysed the effect of new product innovations on small-firm growth. The findings suggested that unstructured and unplanned processes, such as inspiration and spontaneous thoughts, influenced product innovations. As such, Verhees and Meulenberg (2004) explain that product innovations by small firms are often product modifications based on new types of inputs. In a similar vein, Bowman-Upton *et al.* (1989) have examined the ability of innovation evaluation programmes to determine commercial feasibility of new products. The investigators showed that users of the innovation evaluation programme were satisfied with the evaluations and accurate, objective opinions based on the judgement of a team of people from various functional backgrounds relating to product feasibility. Additionally, Covin et al. (1990) revealed that growth-seeking firms in high-technology industries relative to low-technology industries rely more on product development and superior product warranties to build market share, premium pricing and customer strategies.

4.3.3.2 Small firms and their Pricing mix

Pricing management can appear to be one of the simpler aspects of small business management (Chaston and Mangles, 2002). It is thought that as long as the firm's products or services can be sold for a price that exceeds costs, the objective of profit generation will be achieved. Unfortunately in the real world there are some very critical factors,[148] which influence whether these simple rules about pricing management can be utilised. One approach to determining small firm pricing policies is to recognise the influence of the variables illustrated in figure 3.7.2 below. This diagram presents the idea

148 Firstly, it is necessary that all parties involved in the transaction be fully informed. Yet in many markets, customers may have very limited access to the data required to reach a 'fully informed' purchase decision. Secondly, customers may reject a quoted price if they perceive there are tangible differences between goods being sold by a small firm and those being offered by competitors. Thirdly, it is usually a requirement that to generate a sale the small firm, having quoted a price, does not face the situation of other suppliers being willing to offer the equivalent items at a much lower price. The fourth necessity is that all suppliers have adopted similar decisions concerning other marketing mix variables such as promotion expenditure and distribution.

that market price is an outcome heavily influenced by complex interactions between prevailing industrial, organisational and customer circumstances.

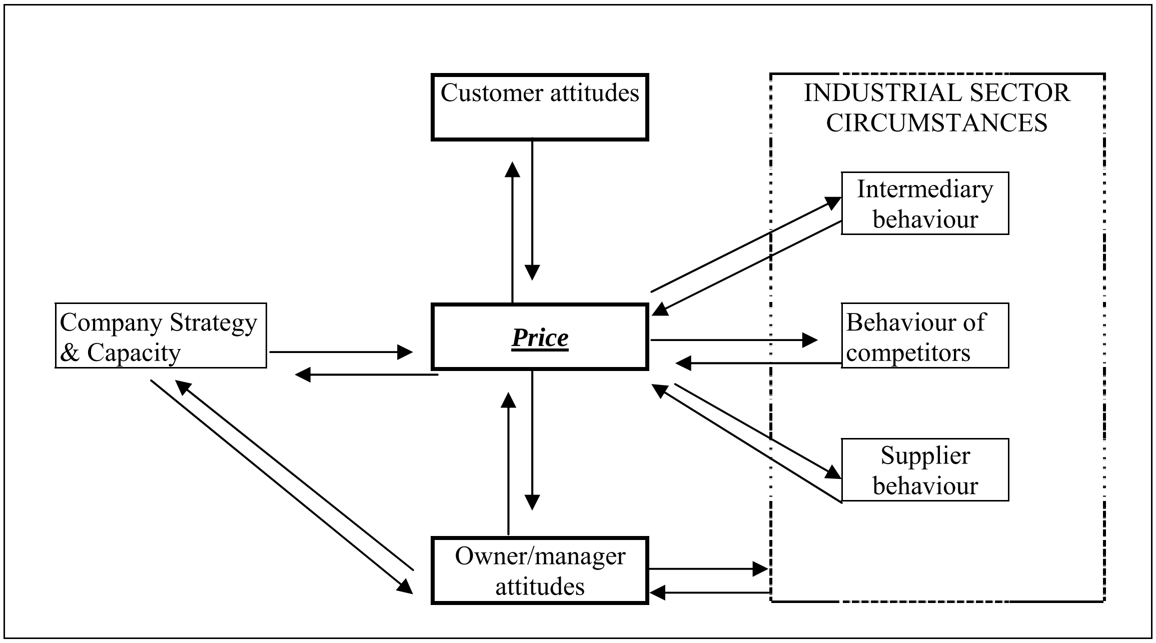

Figure 3.2.7 depicts the factors influencing the determination of price in the SME

Livesay (1989) is one of the first writers to acknowledge the importance of recognising the influence of social and cultural factors in reviewing the viability of a business decision within a small business. He suggests that when examining activities such as the determination of price, for example, one must accept that decisions are made by individuals and not anonymous organisation. Hence, in the small firms sector, the personalities of owner/managers can have a decisive influence on the strategic actions that might be implemented.

Curran et al. (1997) have examined the issue of rational decision making in the specific context of price setting in the SME sector. They point out that most small business research assumes that owner/managers exhibit ‘instrumental rationality’. They applied a grounded theory approach to ask owner/managers to describe the rationale behind their pricing decisions. What emerged was evidence that the respondents were heavily influenced by their perceived social role within their business system, and this resulted in prices being determined by a diverse range of 'non-economic' factors (such as laws, attitudes, political processes, and culture).

A further line of thought in the area of small business pricing is that the manager's intuition and experienced judgement (Redinbaugh and Neu, 1980) will be the dominant factor. Watkins and Blackburn (1986) appear to agree by stating that "the founder's feel for the market may be the only guide to consumer needs," as do Scarborough and Zimmerer (1984) who refer to managers often using "hunches." However, it is thought that a lack of marketing experience and orientation on the part of managers may account for their resorting to intuition when deciding on a price. In fact several writers contend that a lot of small business managers are not overly motivated to find the "best" price, that being the one that maximises profit. Hankinson (1991) further claims that some firms genuinely only want a fair or just rate of profit. Curran (1988) supports this claim by suggesting that most set prices by some notion of a "fair return" common to their industry.

The apparent absence of a technical approach to pricing in the small firm has led some writers on the subject to contend that pricing be treated as more of a managerial art than a science (Redinbaugh and Neu, 1980). This notion of pricing as an art is not exclusive to small business literature, as Churchill (1990) writing on the subject of price setting in general, suggests that price should be manipulated sensitively and creatively. This opinion is shared by Hankinson (1991) who feels that pricing be viewed as a creative marketing challenge to be met with a new insight into buyers' motivations.

- **Pricing strategies**

The small business literature reveals an acknowledgement by most writers that, while in theory the SME should consider all the factors which affect pricing in their larger counterparts, in practice small business managers employ some form of cost plus pricing while bearing in mind a number of secondary effects (Carson et al, 1998). For example, Lace (1982) suggests that most small businesses will base pricing on a combination of what the market will bear and cost-plus; and Skinner (1970) found that cost-plus percentage pricing was very much influenced by competition and demand.

While cost-plus pricing appears to be the most commonly used approach, there is general consensus that it suffers from a number of weaknesses. For example, Hankinson (1991) points out that it assumes that firms actually know what their costs of production are at given levels of output. Scarborough and Zimmerer (1984) further suggest that it does not encourage efficient use of resources and it fails to consider the competition appropriately.

As such, Calvin (1994) recommends that costs be the last thing analysed in a pricing formula, not the first. As with the larger firm where pricing is treated as a marketing function, Lace (1982) stipulates if pricing policy in the small business must be a marketing responsibility where customers come first and everything possible is done to meet their needs. Scarborough and Zimmerer (1984) also share this view of marketing-driven pricing with its implicit emphasis on the customer by stating that “a firm’s prices should reflect the customer’s evaluation of its goods and services.”

The textbook literature advocates have elaborated alternatives on pricing strategies, which have an implied aspect of control over the customer’s decision-making perception. However, because of SMEs’ relative smallness, such control is almost impossible without substantial differentiation, which most firms do not enjoy. An option advocated by the textbook literature is to use price discounting as a sales stimulation, however, given the limitation of finance and the innate survival and enterprise protection instinct of the entrepreneur; this is neither an attractive or natural option.

Hogarth-Scott et al. (1996) find evidence of small businesses trying to slightly under-cut the competition on price and that some try to provide very high quality and a low price. This is in line with Jackson et al. (1979) who noted that a third of the firms in their study declared aligning their prices with their competitors’ prices, or setting inferior prices. It is found that some businesses use bargain pricing in order to ensure they display the lowest prices. However, this may be a signal for low quality products and may jeopardize the reputation of the small firms (Emhke et al, 2005).

4.3.3.3 Small firms and their Promotion mix

Dart and Pendleton (1984) suggest that most textbooks, educational establishments and researchers direct their thinking towards the promotional activities of large organisations and write that these are not easily adapted to suit small firms. There is a dearth of published research into entrepreneurial small firms' use of promotion in general. Vaccaro and Kassaye (1988) promulgate that promotional decisions are influenced by the nature of the target market, as well as which media vehicles are within the financial reach of the small-business owner and how effective they are in reaching the target market.

In this respect, a group of studies[149]explored the effectiveness and perceptions of different promotion styles and attitudes of owner-managers dealing with limited marketing budgets; the effectiveness of alternative media vehicles; and the attitudes towards and use of formal marketing research of small business operators. These studies reported that: other print advertisements are not necessarily effective in yellow page advertisements and that yellow page advertisements should be pre-tested for effectiveness. Small business operators have also reported that they face serious problems to find marketing and selling strategies that are both affordable and suitable for their businesses; that the relative influence and effectiveness of urban dailies, suburban weeklies and radio stations tended to differ between communities; and that the majority of firms were satisfied with the use of formal market research.

Moreover, it was found that advertising and marketing research are frequently rejected because owner-managers perceive them as expensive, difficult to quantify, and an indicator of a poorly run business (Curran, 1988; Watkins and Blackburn, 1986).There was a strong tendency to regard advertising as being ineffective and a waste of money and to consider "word of mouth" communications as appropriate and by far the best method of promoting their businesses and gaining new customers. This was especially

[149] Kelly and Hoel (1991); Weinrauch, Mann, Robinson and Pharr (1991); and McDaniel and Parasuraman (1986).

the case in the service businesses and in manufacturing businesses, where the skills involved in producing a product are unique or special.

Similarly, Kinsey (1987) found that advertising and promotion received much less emphasis than salesforce or personal contacts. Occasionally "trade lists,' "trade missions,' and "studying the competition' were cited as ways of acquiring new customers, but the salesforce is seen as the major method of acquiring new customers. This supports Hodgetts and Kuratko's (1995) point of view that stipulates that the art and science of selling are important to the survival of every small business.[150] It was further found that in many of the firms studied, the sales force was constituted solely of the owner-manager. This strong interaction of the manager with his or her customer base is often perceived and presented as being essential for a true knowledge of the customer and his needs (Hermann, 1995).

Yet, other researchers revealed that communication activities have been qualified in the past as being quasi-absent in SMEs (Hermann, 1995). Marchesnay (1988), for example, found that promotion is limited the presence of the small firm at fairs and expositions, with the associated brochures. Ellis and Jolibert's (1991) study revealed that surviving SMEs differ from failed ones by their greater use of publicity and promotion means, including catalogues and sales presentations. In the case of medium-sized enterprises, Gardner (1983) found that communication constituted the weakest part of their marketing mix, and that a majority did not seek the services of an advertising agency, relying mostly on catalogues and brochures.

4.3.3.4 Small firms and their Place (distribution) mix

A potential error in many of the early theories concerning channel management was that by focusing on the issue of minimizing distribution costs, small firms were often unaware

[150] Borden (1964), Jackson and Parasuraman (1986) and Nilson (1994) also feel that small firms mainly use personal selling to communicate with their target audience.

of the concurrent, critical issue of sustaining customer satisfaction. During the 1980s, however, some small firms have realised that effective management of distribution channels can actually provide additional opportunities to gain advantage over competition.

Hermann (1995) postulates that the distribution of products made by SMEs is characterized by the use of direct sales. Chell (2001) points out that many if not most, small firms deal with other firms rather than directly with customers, which means that their customers are subject to similar influences as well. This is in line with Ogwo (1987) small firms distribute their products through appointed distributors, supplemented in some cases by retention of a few salesmen at their factories or depots who are authorized to sell to customers who call directly at these locations.

However, many theorists have pointed out that there is often a lack of coordination between elements of the promotion mix. Indeed, when components of the mix are not all in harmony, a confusing message may be sent to consumers. As such, it takes experimentation and follow-up evaluation to determine the most effective method of marketing a product to consumers. Indeed, in the end, it is measuring the success that decides whether using marketing tools does make sense (Wolfe, 2000).

4.4 Part 4: Marketing implementation

One of the concerns about marketing, as a management discipline, is the ability of organizations to put into practice the policies devised in its name (Meldrum, 1996). Essentially, until a strategy is implemented, it remains a plan not an operational reality. This observation led Gummesson (1974) to conclude that the ability and strength to execute a decision is more crucial for success. Such a concern has been acknowledged for some time (Barksdale and Darden, 1971; Felton, 1959) but has continued as an under-researched problem into the 1990s (Labahn and Biehal, 1991; Zinkhan and Pireira, 1994). Bonoma and Crittenden (1988) attribute this literature imbalance to a long held, misguided assumption among both academics and practitioners that implementation inevitably supersedes formulation provided the plan displays analytical sophistication.

The extent literature has consistently conceptualised implementation as the translation of strategic plans into an operational reality. Mintzberg (1978), in a seminal study, conceptualised implementation as the process whereby “intended” or “emergent” strategy translates to “realised” strategy. Giles (1991), along similar lines, viewed implementation as being concerned with “putting strategy into practice” and according to Bonoma (1984a, b) it is concerned with “the tactical execution of marketing plans, programmes or strategies”. While Meldrum (1996) takes implementation to refer to “the actions performed as a consequence of policy decisions”, Sashittal and Wilemon (1996) propose a more comprehensive definition of implementation as a process that “involves translating strategic intentions into action steps, assigning relevant tasks and actions to people, ensuring that the tasks are executed, and accomplishing the predetermined objectives”. Successful implementation can thus be said to be a process of decision-making plus actions, which accurately reflect those decisions.

A good implementation plan, however, will not only ensure the success of an appropriate strategy, it can also redeem a less appropriate strategy (Wheelan and Hunger 1991). This is why an increasing number of chief executives are turning their attention to the problems of implementation.[151] Among other things, they now realize that a successful strategy depends on having the right organizational structures, well-designed compensation programs, and effective resource allocations, information systems, and corporate cultures (Galbraith and Kazanjian 1986, Miesing 1984). Support for such a trend has come from Lawless et al (1989), in their study of companies in 31 U.S. manufacturing industries, in which it was revealed that firm performance is not so much a result of a company's strategy, but of its capacity to implement that strategy effectively.

4.4.1 Processes to the marketing implementation

Marketing managers must consider why the intended strategy does not always turn out as expected to help ensure effective implementation. This is because of three

[151] According to Denison and McDonald (1995), the main factors that cause implementation problems are: plans are constructed by those who do not have a thorough understanding of the difficulties that those responsible for the implementation of the plan will face; and the performance of those who implement plans is often measured in terms of short term success (rather than long term goals).

implementation problems: firstly marketing strategy and implementation are related; secondly, they are constantly evolving; and thirdly the responsibility for them is separated. As such, the components of an implementation process ensuring that the marketing strategy will lead to the desired marketing performance are as follows:

The company first needs an action program, which identifies the decisions and actions needed to implement the marketing plan and assigns responsibility and a timetable for these tasks. The company' structure is also an important element in the marketing implementation; it divides the company's work into well-defined jobs and assigns these jobs to people and departments. Additionally, decision and reward system encompassing formal and informal procedures will guide the company's activities such as planning, information gathering, budgeting, recruiting and training, control, and personnel.

Moreover, from the above cited definitions of implementation, it is clear that strategy implementation is operational in nature and relies on a series of daily activities performed by employees at all organisational levels (Hrebiniak and Joyce, 1984; Webster, 1997). As such, human resources form an important part of the implementation process; it requires that the employees of a company has hired, possess the appropriate skills, motivation and personal character to fit in to the firm's structure and implement the marketing plan. Lastly, the way managers and others work together in a company, that is, the managerial climate and company culture may also have an impact on the marketing plan of the company. Indeed, it is thought that their shared set of beliefs and values can have a large effect on the success of the implementation of a marketing plan.

4.4.2 Approaches to marketing implementation

4.4.2.1 Internal marketing

An emerging area in the field of strategy implementation is that of internal marketing. However, while there is a rapidly growing literature on internal marketing[152] very few organizations actually apply the concept in practice. The major reason for this is the fact that there does not exist a single unified conceptual framework of what is meant by internal marketing. There is much confusion as to exactly what internal marketing is, what it is supposed to do, how it is supposed to be done, and who is supposed to do it. The variety of interpretations as to what internal marketing constitutes has led to a diverse range of actions being broadly grouped under the umbrella of internal marketing. This situation has been further compounded (at least at the practitioner level) by a confusion with the economic concept of internal markets (Baumol, 1967; Fama, 1980; Williamson, 1964; Williamson et al., 1975). This diversity in understanding and definition in turn has led to difficulties in implementation and widespread acceptance of the concept itself.

The concept of internal marketing has its roots in the 1980s push for quality in the services sectors through the examination and control of the service delivery mechanism, namely employees. The underlying idea is that effective service delivery requires motivated and customer-conscious employees (Grönroos, 1981). The notion of a link between customer satisfaction and employee satisfaction, which received its first theoretical airing in retail marketing literature (George, 1977), gradually took widespread hold. Despite some argument and evidence which contests the claim of a link between employee satisfaction and customer satisfaction (Hoffman and Ingram, 1991; Piercy, 1995; Rafiq and Ahmed, 1993), later work not only built on this basic idea but also proceeded to expand the conceptual domain/boundary of internal marketing. Berry (1984) and Berry and Parasuraman (1991), for instance, propound the idea not only that there is a link between employee satisfaction and customer satisfaction, but also that

[152] See, for example, Barnes (1989); Berry (1981, 1984); Collins and Payne (1991); Flipo (1986); George (1977, 1990); Grönroos (1981, 1985) ; MacStravic (1985); Piercy and Morgan (1991); Sasser and Arbeit, (1976); Winter, (1985).

employees are internal customers of a firm. They define internal marketing as "viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm" (Berry and Parasuraman, 1991). Others have gone even further in espousing the idea that not only are the employees customers, but also they are the first market (Sasser and Arbeit, 1976). This tendency towards giving primacy to employees and broadening the sphere of internal marketing was advanced even further by Berry and Parasuraman′s (1991) assertion that the sphere of internal marketing ought to include activities traditionally carried out by the personnel function. They suggested that "internal marketing is the philosophy of treating employees as customers...and it is the strategy of shaping job-products to fit the human needs" (Berry and Parasuraman, 1991).

4.4.2.2 Total Quality Management

Total Quality Management (hereafter, TQM) is a holistic management system that seeks to integrate functional areas across an organization to increase customer satisfaction and achieve continuous improvement (Crosby, 1979; Deming, 1986; Feigenbaum, 1991; Ishikawa, 1985; Juran, 1988; Juran and Gryna, 1993). TQM theory, as developed by the quality gurus, is an integrated management philosophy and set of practices that has an organization-wide focus on quality. It combines quality-oriented culture with intensive use of management and statistical tools to design and deliver quality products to customers.[153] TQM emphasizes customer satisfaction, employee involvement, and continuous quality improvement. Each of these must be used together in order for the application to work effectively (Crosby, 1979, 1984, 1989; Deming, 1986, 1994; Feigenbaum, 1991;Juran, 1988). Conclusively, it can be defined as "a management approach of an organisation, centered on quality, based on the participation of all its members and aiming at the long-run success through customer satisfaction, and benefits to all members of the organisation and to society" (ISO 8402).

[153] Aguayo (1990); Berry (1991); Crosby (1979, 1984, 1989); Deming (1986, 1994); Feigenbaum (1991); Juran (1988).

Benefits of total quality management include lower operating costs, higher returns on sales and investment, an improved ability to use premium rather than competitive pricing, as well as faster development of innovations, improved access to global markets, higher levels of customer retention, and enhanced reputation. Yet, the implementation of TQM requires a substantial investment of time, effort, money, and patience.

- Foundations and tools of TQM

a) Managerial leadership and commitment.

Managerial leadership and commitment consists of managerial training, quality objective setting, commitment to quality, systematic business planning and vision, and actively championing/communicating quality issues.

b) Customer satisfaction.

Customer satisfaction consists of customer survey, customer suggestion, procedure for customer complaint, looking for causes when losing a major customer, and monitoring changes in customer needs. TQM is a management approach that finds its ultimate success in the entire organization's willingness to view satisfying customers' needs as the determinant of good decision making. This is because the success of companies depends upon how well they meet customer satisfaction. Regardless of size, industry, or location every company has customers on whom it relies for profit achievement. It is useless to produce a good quality product if it is does not satisfy the requirements of the customer. As such, this growing recognition of meeting customer needs is changing the direction of quality initiatives in many companies. Simply improving quality is not enough. In fact, improving quality in the eyes of the customer is what matters. Quality that means little to the customer usually does not produce a return in improved sales, profits, or market share. It is wasted effort and money.

c) Continuous quality improvement (CQI)

As previously stated, TQM is customer focused and revolves around the concept of customer satisfaction. However, once customer's satisfaction has been obtained, it must then be maintained. TQM initiatives must include an in-built culture of continuous improvement, which can help an organisation satisfy the needs of its customers on an ongoing basis. This view is shared by Handy (1994) who states, "… the world keeps changing. It is one of the paradoxes of success that the things and ways that get you where you are, are seldom the things that keep you there." Such goals demand that a continuous improvement process be established within the company in order to provide quality management.

Furthermore, Murray (1997) identifies the scientific approach, another main component of CQI, which roughly regroups data analysis, systems thinking,[154] benchmarking[155] and the elimination of variation. Moreover, there is also the team approach, which stipulates that teams are more able to analyse processes fully, than individuals. The main features of the CQI team approaches are support from management, worker involvement and the removal of artificial work boundaries.

d) Empowerment

A sound total quality management implementation process should be concerned with more than just the mechanical aspects of the change. Instead, it should focus on improving the more indirect value characteristics of the organization such as trust, responsibility, participation, harmony and group affiliation. Empowerment, the most important concept in TQM, is very important, since employees must be empowered to make the necessary organizational changes (Stevens, 1993). The concept of empowerment is based upon the belief that employees needs the organization as much as the organization needs them and that leaders understand that employees are the most valuable asset in the firm.

[154] Systems analysis means that even when analysing several parts of a process, the relationships among them are still kept in mind.
[155] Benchmarking is used in CQI to identify the best practices, in related and unrelated settings to emulate as processes or use as performance targets.

Empowered personnel have "responsibility, a sense of ownership, satisfaction in accomplishments, power over what and how things are done, recognition for their ideas, and the knowledge that they are important to the organization" (Turney, 1993). Without productive employees, the organization is nothing and can do nothing. Empowerment works best when employees need their organization as much as the organization needs them, "and the need is much more than a paycheck and benefit package" (Johnson, 1993).

Research has shown that there is a positive link between participation and satisfaction, motivation and performance (Holander, Offerman, 1990). "The self-managed work team is a new way of viewing the relationship of the worker-management-organization" (Keighley, 1993). Employee involvement teams, which consist of small groups of employees who work on solving specific problems related to quality and productivity, represent one way of participative management. Such teams have proved effective in resolving problems related to productivity and quality, as well as improved employee morale and job satisfaction (Bartol, Martin, 1991).

Whatever the definition is, participative management requires responsibility and thrust to employees. It is important that management recognizes the potential of employees to identify and to derive corrective actions to quality problems (Stevens, 1993). However, Stevens (1993) argues that if management refuses to act upon team recommendations, "the team members' faith in the quality program will be destroyed."

Furthermore, critics argue that employees may be given the impression that TQM and employee empowerment is just another management buzzword, and that the decision making process is still dominated at the top of the organizational hierarchy (Scully, 1993). In many organizations, such traditional labor division is the principal cause why managers finds it difficult to delegate responsibility. Scully (1993) also argues that to some people empowerment means more delegation in form of indirect control. Moreover, Stevens (1993) stresses that some subordinates may view empowerment as abandonment and that it leads to organizational anarchy.

e) Supplier partnership

This consists of supplier selection, supplier evaluation, meetings and discussions, joint planning, and supplier's quality control. The period of traditional adversary relationship between buyer and suppliers is over. Nowadays, firms focus on building long-term, competitive potential rather than short-term profitability.

f) Quality culture and philosophy

Quality culture and philosophy consists of quality sensitization programs, quality awards and rewards, company uniforms, company policies, and informal group formation. Instilling quality-oriented culture requires change of attitudes, value systems, and beliefs. Culture is the glue that binds the activities and efforts of people in the workplace. TQM is an educational process aiming at changing the behavior and attitudes of organizational members and then developing quality sensitive organizational culture.

g) Measurement and feedback

Measurement and feedback consist of a reward system, performance evaluation systems, discussion on evaluation results, timely feedback, and a procedure to deal with employee complaints. Performance evaluation, control of deviations from the intended result, and mechanisms to correct deviations are an integral part of TQM programs. The purpose of performance appraisal is to serve as a diagnostic tool and review processes for the development of employees, teams and the organization as a whole. They are used to determine reward levels, validate tests, aid career development, improve communication, and facilitate understanding of job duties and responsibilities. Compensation is also a desirable component of TQM. Employees may perceive the compensation system as a reflection of the company's commitment

TQM can be addressed in a business in a number of ways. The most common are: a policy of *zero defects* - any problems in the production process are filtered out before they get anywhere near the customer; *quality chains* - each stage of the production process is seen as being a link in the chain right down to the relationship between one worker in the process and another; quality circles-- meetings of those directly involved in the production process to discuss and solve problems and make improvements to the production process; statistical monitoring - the use of data and statistics to monitor and evaluate production processes and quality; *consumer feedback*-- using market research and focus groups to identify consumer needs and experiences and to build these into the process; and *changing production methods*- many businesses, where appropriate, have looked at the layout of their production processes - it could be the move to open plan offices, the development of teams or the use of cell production to improve worker commitment to the philosophy.

4.4.3 The marketing control process

Kotler (1999) states that because many surprises occur during the implementation of marketing plans, the marketing department has to continuously monitor and control marketing activities. Lynch (1997) defines marketing control as the process of monitoring the proposed plans as they proceed and adjusting where necessary. In addition, there is no planning without control. If an objective states where the company wants to be and the plan sets out a road map, then control should tell the company if it is on the right track or if it has arrived at its destination.

Figure 4.6 shows The Marketing Control Process

The formal marketing control process starts with the establishment of performance standards. A performance standard is an expected level of performance against which actual performance can be compared.[156] The next step involves the evaluation of actual performance, that is, the marketing manager will compare actual progress against the standards to determine whether and how much of a discrepancy exists. Naturally, the next logical step to the marketing control process will entail the taking of corrective actions. Marketing managers have several options for reducing a discrepancy between performance standards and actual performance, namely: improve actual performance,[157]reduce or totally change the performance standard,[158] or do both.

- Performance

Despite the importance of measuring business performance (see, for example, Meyer, 1998), there is little research on the measures used to evaluate marketing effectiveness.

[156] It is to be noted that performance standards should be tied to organizational goals.

[157] Improving performance may require better methods of motivating marketing personnel or more effective techniques for coordinating marketing efforts.

[158]This is because sometimes performance standards are unrealistic as written, and sometimes changes in the marketing environment make them unrealistic.

Reasons for the lack of research marketing metrics include the complexity of unravelling short- from long-term effects (Dekimpe and Hanssens, 1995), the difficulties of measuring brand equity (Marketing Leadership Council, 2001) and the perhaps excessive importance business management ascribes to financial measures (Eccles, 1991; Kokkinaki and Ambler, 1999).

Given that a firm's survival depends on its capacity to create value, and since customers are the ones that define value (Day, 1990), the use of marketing may make a significant contribution to long-term business success. Therefore, evaluating marketing performance is a key task for management. However, businesses that concern themselves with rigorous evaluation of marketing results are in the minority (Ambler, 2000).

- **Measurement of marketing effectiveness**

Research points to a variety of marketing metrics. Clark (1999a) identifies 20 such measures; Ambler and Riley (2000) tested a total of 38 measures; Davidson (1999) considers ten important measures of marketing effectiveness and Meyer (1998) notes a lot more. However, Clark (1999a) suggests that one should make better use of existing measures rather than formulate new ones. Recently, Kokkinaki and Ambler (1999) have summarized marketing metrics in six categories: financial, competitive market, consumer behaviour, customer intermediate, direct customer and innovativeness measures. Financial metrics can alternatively be seen as accounting metrics but they are mostly expressed in monetary terms whereas the other metrics are not.

Financial metrics are usually the first type to be employed to evaluate marketing performance (Ambler, 2000; Clark, 1999a; b; Eccles, 1991; Day and Farley, 1988; Feder, 1965; Sevin, 1965). They are, according to Kanji and Sa (2002), indicators of whether an organisation's strategy, implementation and execution are contributing to bottom line improvement. Sureshchandar and Leisten (2005) cite profits, revenues, assets, return on investments, return on equity, turnover, etc. as traditional measures used for measuring a firm's financial performance. Among the different measures used as comparison with the competition, market share is especially prominent owing to the belief that it predicted cash flow and profitability (Buzzell and Gale, 1987). Market share is one of the most used measures in the academic field as well as in business practice (Kokkinaki and Ambler, 1999). Among those measures which relate to customers, customer satisfaction and customer loyalty have gained prominence (Bigné et al., 2001; Ambler and Riley, 2000; Clark, 1999a; Echtner and Ritchie, 1993).

4.4.4 Types of marketing control

4.4.4.1 Annual plan control

The basis of annual-plan control is managerial objectives—that is to say, specific goals, such as sales and profitability, that are established on a monthly or quarterly basis. Organizations use five tools to monitor plan performance. The first is sales analysis, in which sales goals are compared with actual sales and discrepancies are explained or accounted for. A second tool is market-share analysis, which compares a company's sales with those of its competitors. Companies can express their market share in a number of ways, by comparing their own sales to total market sales, sales within the market segment, or sales of the segment's top competitors. Third, marketing expense-to-sales analysis gauges how much a company spends to achieve its sales goals. The ratio of marketing expenses to sales is expected to fluctuate, and companies usually establish an acceptable range for this ratio.

In contrast, financial analysis estimates such expenses (along with others) from a corporate perspective. This includes a comparison of profits to sales (profit margin), sales to assets (asset turnover), profits to assets (return on assets), assets to worth (financial leverage), and, finally, profits to worth (return on net worth). Finally, companies measure customer satisfaction as a means of tracking goal achievement. Analyses of this kind are generally less quantitative than those described above and may include complaint and suggestion systems, customer satisfaction surveys, and careful analysis of reasons why customers switch to a competitor's product.

4.4.4.2 Profitability control

Profitability control and efficiency control allow a company to closely monitor its sales, profits, and expenditures. Profitability control demonstrates the relative profit-earning capacity of a company's different products and consumer groups. Companies are frequently surprised to find that a small percentage of their products and customers contribute to a large percentage of their profits. This knowledge helps a company allocate its resources and effort.

4.4.4.3 Efficiency control

Efficiency control involves micro-level analysis of the various elements of the marketing mix, including sales force, advertising, sales promotion, and distribution. For example, to understand its sales-force efficiency, a company may keep track of how many sales calls a representative makes each day, how long each call lasts, and how much each call costs and generates in revenue. This type of analysis highlights areas in which companies can manage their marketing efforts in a more productive and cost-effective manner.

4.4.4.4 Strategic control

Strategic control processes allow managers to evaluate a company's marketing program from a critical long-term perspective. This involves a detailed and objective analysis of a company's organization and its ability to maximize its strengths and market opportunities. Companies can use two types of strategic control tools. The first, which a company uses to evaluate itself, is called a marketing-effectiveness rating review. In order to rate its own marketing effectiveness, a company examines its customer philosophy, the adequacy of its marketing information, and the efficiency of its marketing operations. It will also closely evaluate the strength of its marketing strategy and the integration of its marketing tactics.

The second evaluation tool is the marketing audit. This is a comprehensive, systematic, independent, and periodic analysis that a company uses to examine its strengths in relation to its current and potential market(s). Such an analysis is comprehensive because it covers all aspects of the marketing climate (unlike a functional audit, which analyzes one marketing activity), looking at both macro-environment factors (demographic, economic, ecological, technological, political, and cultural) and micro- or task environment factors (markets, customers, competitors, distributors, dealers, suppliers, facilitators, and publics). The audit includes analyses of the company's marketing strategy, marketing organization, marketing systems, and marketing productivity. It must be systematic in order to provide concrete conclusions based on these analyses. To ensure objectivity, a marketing audit is best done by a person, department, or organization that is independent of the company or marketing program. Marketing audits should be done not only when the value of a company's current marketing plan is in question; they must be done periodically in order to isolate and solve problems before they arise.

- Problems in Controlling Marketing Activities

Theorists have identified several problems that firms encounter while controlling their marketing activities. For example, it was found that the information required to control marketing activities may be unavailable or available only at a high cost and that the frequency, intensity, and unpred6ictability of environmental changes may hamper control. Others have put forward that the time lag between marketing activities and their results limits a marketer’s ability to measure the effectiveness of specific marketing activities. Moreover, because marketing and other business activities overlap, marketing managers cannot determine the precise cost of marketing activities, which makes it difficult to know if the outcome of marketing activities is worth the expense. Lastly, some authors have propounded that it is very hard to develop precise performance standards for marketing personnel.

4.4.5 Marketing implementation in Small firms

For years, strategic management/business policy researchers have attempted to understand the higher levels of performance of small enterprises. A significant proportion of the empirical research related to strategic management in small firms has emphasized strategic planning (Bahaee 1987; Bracker, Keats, and Pearson 1988; Orpen 1985; Robinson 1980; Robinson and Pearce 1983; Sexton and Van Auken 1982). What these researchers have failed to recognize is that planning is only one aspect of the strategic management process (Rhyne 1986). Another aspect, which is seldom studied (even in large businesses), is the implementation of strategic decisions.

Sashittal and Wilemon's (1996) empirical research into small firms reveals that the functional marketing implementation process of small firms appears to involve an almost certain deviation from original plans and requires a continual stream of adaptive decisions and actions. Their work further advocates the need for adopting corporate strategic thinking in order to enhance the marketing effectiveness of small firms and advances the argument for theory building in small firm marketing.

Many studies have found that TQM could be used by SMEs with considerable success (Ghobadian and Gallear, 1996). A study by Ahire and Gohlar (1996) found that the introduction of TQM in SMEs had helped to sharpen SMEs' market focus, to become more efficient, to harness their human resources better, and to improve their competitiveness. They also concluded that TQM implementation leads to better product quality and that SMEs can implement it as effectively as larger firms. Shea and Gobeli (1995) found two major benefits of TQM to SMEs: improved customer satisfaction, primarily because of improved internal processes; and a high level of employee satisfaction based on more satisfied internal and external customers.

Boon and Monder (1998) also stated that quality in its various aspects is applicable to all firms regardless of size and context. SMEs are, therefore, at the center of interest in the quality debate for several reasons. One, according to Van der Wiele and Brown (1998), is that larger organizations will not be able to improve the quality of their products, services and processes unless their suppliers or the second-tier suppliers also grow to a higher level of quality maturity. Amongst these suppliers, there are many SMEs. McTeer and Dale (1994) claim that SMEs are more concerned with quality than their larger company counterparts, but nevertheless, they do not conform as easily with the formal approaches that are often advocated by ISO 9000 series registration, and the introduction of TQM. It could therefore be argued that many SMEs are in essence adopting quality practices without the formal label of TQM practices.

The implementation of TQM in SMEs revolves around the role and responsibilities of the manager/owner. The success or otherwise of the implementation of TQM is often down to the owner/manager of the business who constitutes the driving force behind TQM (van der Weile and Brown, 1998; Walley 2000). Ghobadian and Gallear (1996, p. 104) concluded “it was the desire and persistence of owners/managers in SMEs that played a decisive role in TQM implementation”. Thus, it is imperative for owners/managers to understand the concepts and issues associated with TQM and then be able to communicate them to employees.

A number of studies indicate that TQM can be implemented effectively by small firms. Ahire and Golhar (1996) show that, according to measures such as levels of training, usage of quality tools and benchmarking, smaller companies have adopted TQM practices as effectively as larger companies. Ghobadian and Gallear (1997) identified six areas of difference between SMEs and larger companies, which suggest that SMEs could have both advantages and disadvantages in TQM implementation. They are: structure-SMEs have a relatively flat structure ; procedures-SMEs often adopt an ad-hoc approach with a low degree of standardization; behaviour- the culture and values of an owner/manager will tend to spread throughout the company; processes. SMEs have simple and informal control systems; people- in SMEs, training and development activities tend to be small-scale and ad-hoc and contact- contacts with suppliers, customers and professional associations are likely to be more limited in SMEs.

Parkin and Parkin (1996) suggest that although many SMEs in the UK like and agree with the ideas of TQM, they are not willing, or sufficiently competent, to implement them effectively. A number of other authors suggest that there are potential difficulties specific to SMEs. The main barriers to TQM implementation in SMEs are considered to be: cultural barriers,[159] management awareness barriers,[160] financial barriers and [161]training barriers.

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159 The culture of the SME may not be conducive to TQM. The relative closeness of the workforce may mean that SMEs are more susceptible to the spread of hostile attitudes towards TQM (Patel and Randell, 1994). Management and staff may be over-ambitious in their quality improvement plans (Ghobadian and Gallear, 1997) leading to disappointment when results do not meet expectations. However Yusof and Aspinwall (2000) consider that the unified culture of an SME is conducive to new management change initiatives, and can be a good starting point for TQM.

160 There is a wide acceptance that without full management commitment, successful TQM is unlikely. Managers in SMEs receive less training and consequently are generally at a lower standard of awareness and expertise than those in larger organisations. Owners and managers may feel threatened by junior managers or staff who are more aware of recent technical or business developments and theories. Husband

4.4.6 Marketing control in small firms

For a small firm, the relationship between the business and the owner is very much closer than it is between the shareholder and the large firm, and so the motivation of the owner of the small firm is a key influence upon the small firm performance (Storey, 1994). This differs with the large firm literature, which emphasises the importance of control. In this instance, the central issue is how the owners of the business ensure that the managers of the business act in their interest, and how senior managers exert control over more junior managers. Such form of 'internal' conflict is largely absent in small firms (Storey, 1994) where ownership and control are located in the hands of a few people or even a single individual.

MacMillan et al. (1987) have examined the criteria for selecting successful venture capital firms using product/market characteristics. The major findings indicated that competitiveness and product acceptance are considered as favourable predictors of venture success. Boag (1987) analyses market performance and marketing control systems in early growth companies. The results indicated that greater control of marketing operations correlates with stronger market performances in terms of sales, sales growth, cumulative cash flow and profitability. Neil (1986) investigated the extent to which distinctive competence was used by small businesses to remain competitive. The Neil study revealed that firms, which developed competence, associated with differentiating products and services in the same field remained viable.

Other prescriptive works (for example, Montgomery and Weinberg, 1979; Peters, 1987) and research findings (Brooksbank et al., 1992; Hooley and Lynch, 1994; Peters and

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and Mandal (1999) argue that this lack of understanding and a limited interpretation of TQM can lead to some SME owner/managers being unable to justify the introduction of TQM. Patel and Randell (1994) suggest that SMEs do not have as much confidence in TQM as larger organisations. This is because in a large organisation, feedback procedures are more effective in identifying the benefits of TQM.

[161] Managers of SMEs cite the cost of training and lost production time as a major reason for not implementing TQM (Lange *et al*., 1999). This is a major factor where the majority of the workforce are stretched to complete their tasks. SMEs are also more directly concerned with short-term cash flow, profitability and survival, and TQM is not considered an essential.

Waterman, 1982) reveal that successful small firms make greater use of marketing information systems in marketing control.[162] Contrastingly, Siu and Kirby (1999) advance that though there is common agreement that the broad principles of marketing are applicable to small firms, objective marketing control systems are not found in Chinese small firms.

4.4.6.1 Performance and marketing control in small firms

Measurement of organizational performance is a challenging issue. Alternative measures of organizational performance have frequently been found to yield contradictory results (Lubatkin and Schrieves 1986, Dubovsky and Varadarajan 1987). Performance measurement in small business research has its additional problems, mainly due to data availability and reliability problems. As revealed by many studies, small firms are notorious for their inability and unwillingness to provide the desired information (Fiorito and La Forge 1986, Birley and Westhead 1990). This is supported by Nelson and Coulthard (2005) who stipulate that difficulties arise when establishing common and available data in analysing small business performance because their financial accounts are not publicly available.

Moreover, where available, use of objective financial data on small firms may even have misleading results (Cooper 1979). Consequently, most empirical studies on small business have resorted to rather subjective assessments of company performance (O'Neill, Saunders, and Hoffman 1987; Birley and Westhead 1990; Conant, Mowka, and Varadarajan 1990). Although five years is generally regarded as the appropriate period to examine performance and change in firms (Bracker and Pearson 1986), consistent and reliable longitudinal data are rarely available for small firms. Hence, most studies have had to rely on data for shorter periods or simply use cross-section data to evaluate change and performance.

[162] The marketing information systems refer to the market research for control purpose system, an on-going intelligence gathering system and the use of a computer-based software to assist marketing decision-making.

Alternatively, Hoy, Mc Dougall and D'Souza (1992) among others[163] have concentrated on growth as a common variable measure in small firms. They believed that performance should be measured by growth for it is easily attainable and it reflects the short and long term changes. Yet, Gray (1998) affirms that few small firms are seriously interested in growth.[164] He argues that their main motives are not financial but to remain autonomous and independent.

[163] Chandler and Hanks (1993), Fombrun and Wally (1989) and Tsai, Mac Millan and Low (1991).
[164] It is indeed thought that the most important constraint on SME growth lies in the non-growth career motivations and the personal expectations of individual small firm owners and managers.

Chapter 5

Literature Review – Globalisation

5.0 Introduction

The end of the twentieth century has been profoundly marked by fundamental changes in the world economy, which has duly affected business, politics, society, citizens and the ways in which various stakeholders interact with each other. For instance, the progressive movement from a world in which national economies were relatively isolated from each other by barriers to cross-border trade and investment, distance, time zones, language and national differences in government regulation, culture and business systems have given rise to an increasing interdependence between economies, cultures and people. Commonly referred to as globalisation, this shift toward a more integrated global economic system has been accelerating recently, and it looks set to continue to do so in the foreseeable future.

5.1 The concept of globalisation

Economists, political scientists and sociologists, among others, have all debated the meaning of the term within the context of their respective academic disciplines. For the most enthusiasts the concept of globalisation has been described as the borderless world, with no more national frontiers, where the whole world is viewed as one market. More conservative versions however link the term with the liberalisation of markets, the information revolution, the ease and speed with which goods, services, and capital move from one country to another. For example, the IMF’s World Economic Outlook has, in the mid-1990s, defined the term as the growing interdependence of countries through the increasing volume and variety of cross border transactions in goods, services, international capital flows, and also through the more rapid and widespread diffusion of technology. This is in line with the Economist (1998), who writes that globalisation is the integration of national economies through cross border flows or trade, investment and financial capital increase. Propenko (2000) similarly declares that the term refers to multiple connections between nations and the process by which events, decision and activities in one country have significant effect on people in other countries.

Even if the above definitions are a useful starting point, highlighting interdependence, the increasing number and range of cross-borders transactions and the important role of technology, it is incredibly difficult to define such a multi-layered and complex phenomenon as globalisation in one sentence (Johnson and Turner, 2003). Consecutively, to understand globalisation in terms of its deeper meaning and significance, it is essential to analyse the key, closely linked drivers behind the globalisation process.

5.1.1 Drivers of globalisation

The growing interdependence of economies referred to in the above definitions has only taken place because of the increasing acceptance of economic liberalism as the preferred method of managing economies. These liberal economic ideas initially originated from external economic policy with the setting up of the General Agreement on Tariffs and Trade (GATT) in the aftermath of the Second World War. GATT’s objective was the progressive reduction of tariff barriers, a reaction to the damaging protectionist in the 1930s. As tariff removal gained ground, the removal of non-tariff barriers became crucial within the GATT and its successor organization, the WTO. As such, this greater openness has encouraged the emergence of a mindset and a strategy that operates beyond the traditional national market boundaries.

This progressive reduction of barriers among GATT contracting partners and later among WTO members has created concerns about the most appropriate location of policies to regulate the business environment, leading to the second driver of globalization which is the spread of international governance and regulation. Undeniably, as integration through trade developed, other barriers to integration were thrown into the regulatory spotlight resulting in the emergence of a trade agenda with both a broader and deeper scope. Consequently, the 2001 Doha Declaration that launched another round of multilateral trade talks included policy integration in areas such as competition and environmental policy, which traditionally were not regulated at state borders, but within the state itself as issues of domestic policy. The next driver generated by globalisation relates to the additional trade and investment which has required the parallel movements of capital and finance. Deregulation, liberalisation and technological change have indeed transformed the finance sector to support the growing number of transnational transactions.

The fourth and last driver is the diffusion of information and communication technology which has clearly played a significant role in the redefinition and reorganisation of commercial and economic space, by both facilitating restructuring of the manufacturing system and transforming the configuration of value-chains. For many sectors the development of new technology and its exploitation makes the difference between success and failure. Indisputably, the rapid technological advance, particularly in information dissemination and communications, has considerably reduced the cost and complexity of going global. This, as a result, has opened up world markets to new products and services and has created opportunities for a vast number of firms which were earlier shut out by cost considerations.

5.1.2 Consequences of globalisation

Researchers on the subject have also pondered upon the different benefits attached to the process of globalisation. Mundim et al. (2000), for example, declare that a firm operating on a global market can take advantage of four main sources of benefits vis-à-vis competitors operating in only a local context: economies of scale; exploitation of lower input costs; risk compensation; and optimality of market segmentation. Scale and scope economies are the most obvious benefits derived from increased demand (Levitt, 1983; Porter, 1986; Yip, 1989). These kinds of economies also occur in local markets for those segments which already possess a mass-demand, but the competitive differential between global and non-global firms is much more evident in niches. A global company can serve a very small segment in one country together with several others in the rest of the world, so as to reach a scale of production and/or technology that would be impossible to obtain in each single market.

The exploitation of lower input costs is, on the other hand, the most evident benefit of distributed production processes (Yip, 1989; MacCormack, 1994). More generally, differential resource/prices may be better exploited in an international supply-chain, since it allows the use of those different resources that have a better cost/utility ratio (e.g., unskilled labour in Asia, skilled labour in Europe). The third benefit is that of reduction of risk derived from cyclical downturns (Marsh, 1998): since a portfolio of worldwide activities is less risky than one concentrated in a single or a few local markets.

The fourth possible benefit that can be derived from global operations is the optimal trade-off between low-cost advantages coming from standardisation and increasing marginal revenue coming from differentiation. The increasing similarity in tastes and consumption habits through the world creates opportunities for standardisation, as well as world-wide recognisable brand-images. Being present in several countries also allows the firms to exploit market segmentation and increase marginal revenues.[166]

Additionally, Hudson argues that globalization fosters faster growth[167], cheaper imports[168] and new technologies[169]; encourages domestic producers to increase efficiency[170]; and increases investment opportunities.[171] It is to be noted that the extant literature also lists the negative aspect of globalization, namely; political hegemony; increasing economic inequality both within and between countries; structural adjustment programs; misallocation of resources and the misuse of information.

5.2 The concept of internationalisation

With the current strong political and economic trends towards globalisation, all firms are facing the effects of increased international competition. Internationalisation is therefore an issue that is becoming relevant to the majority of firms, without respect to their market orientation, industry sector or size. This is in accordance with, Karagozoglou and Lindell

[166] See Quelch and Hoff (1986); Yip (1989); Samiee and Roth (1992); Walters (1997).
[167] Economies that have in the past been open to foreign direct investments have developed at a much quicker pace than those economies closed to such investment e.g. communist Russia.
[168] This is down to the simple fact that if we reduce the barriers imposed on imports (e.g. tariffs, quota, etc) then the imports will fall in price
[169] By having an open economy new technology can be brought, rather than trying to develop it internally.
[170] Carbaugh (1998) states that global competitiveness is a bit like golf, you get better by playing against people who are better than you.
[171] With globalisation companies can move capital to whatever country offers the most attractive investment opportunity. This prevents capital being trapped in domestic economies earning poor returns.

(1996) who advocate that enterprises[172] have to adopt an international perspective to secure long-term survival and growth.

Yet, despite the general agreement regarding the growing global integration of economies activities, there is not a general consensus as to the definition of internationalisation. Wind et al (1973) define the term as a process in which specific attitudes or orientations are associated with successive stages in the evolution of international operations. Johanson and Valne (1977) view internationalisation as a sequential process of increased international involvement, whilst Welch and Luostarinen (1988) interpret internationalisation as the process of increasing involvement in international operations. In a much broader conceptualization, Calof and Beamish (1995) interpret internationalisation as the process of adopting firm's operations to international environments.

Hollensen (1998) has identified two motives to the internationalization process, namely: proactive and reactive motives. He argues that proactive motives refer to profit and growth goals, managerial urge, technology competence/unique product, foreign market opportunities, economies of scale, and tax benefits. Reactive motives, on the other hand, may be competitive pressures, a small and saturated domestic market, an overproduction/excess capacity, unsolicited foreign orders, extended sales of seasonal products, and a proximity to international customers/psychological distance.

5.2.1 Internationalization Theories

The growing integration of national and regional economies in a global network of production and distribution coincided with an increased academic interest in theory development regarding the internationalisation of the firm, leading to the development of a number of new approaches during the post-1970 period. Much of the early literature on internationalization behaviour concludes that the process involves a series of incremental 'stages' whereby firms gradually become involved in exporting and other forms of

[172] This even includes businesses, which focus primarily, or even exclusively, upon the domestic market.

international business. As they do so, they commit greater resources to the foreign market/s and target countries that are increasingly 'psychically' distant[173] (Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Cavusgil, 1980; Czinkota, 1982).

However, despite the continued enthusiasm and support among many researchers for this notion of incremental internationalization, criticisms on the subject have accrued since the late 1970s. For instance, Andersen's (1993) conceptual critique focused on the weak theoretical underpinnings of many of the models and the lack of congruence between theory and practice. He concluded that their ability to delineate boundaries between stages, or adequately explain the processes that lead to movement between stages, was rather limited.

Another internationalization approach draws upon the insights gained by the Transaction Cost Analysis (TCA).[174] Transaction costs include the expenses associated with the acquisition of information regarding relevant prices, and the costs entailed in the negotiation and enforcement of contracts (for a review of TCA see Perrow, 1986; and Williamson, 1993). Asset specificity, the frequency of economic exchange, and the level of uncertainty are the key influences in determining the cost of transacting. Within this context, the decision-maker is thought to be rational and aspires to minimise the cost of transacting associated with entry into the international marketplace. The network approach (Johnson and Mattsson, 1988) also bears considerable similarities with TCA: it draws on theories of social exchange and resource dependency, and focuses on firm behaviour within interorganisational and interpersonal relationships. Thus, the boundaries of the firm are determined not only by formal relationships but also by informal, personalised linkages (Coviello and McAuley, 1999).

The eclectic framework developed by Dunning (1981) embraces elements of earlier approaches. It suggests that the level and structure of a firm's international activities will depend on the configuration of particular ownership (firm specific assets and skills),

[173] Psychic distance refers to differences in the international market from the home market in terms of language, culture, political systems and business practice.
[174] This approach is also termed as the Foreign Direct Investment Theory or the internalization paradigm.

location (country specific market potential, investment risk, production costs and infrastructure), and internalisation advantages (the cost of transacting), as well as the extent that the firm believes that investment in a particular country is consistent with its long-term management and strategy. Lastly, the Organisational Capability approach conceptualises the firm as a bundle of relatively static and transferable resources, which are then transformed into capabilities through dynamic and interactive firm-specific processes (Amit and Shoemaker, 1993).

5.2.2 Modes of entry and expansion

A wide range of options is available to the firm wishing to operate foreign markets. According to Bradley (2003), these options can be described as part of a continuum of increasing commitment to international markets. Root (1994) states that selecting an institutional arrangement[175] is one of the most crucial strategic decisions that an international firm has to make because a well-chosen mode can enable a firm to gain competitive advantage. That said, Rundh (2001) postulates that the market entry mode will depend on the actual market situation, the actual market structure, but also on the particular product. Dickson and Giglierano (1986) have concentrated on inappropriate modal decisions and argue that they are particularly difficult to change when long-term contracts and/or large resource commitments are made. Below is a review of the different mode of entries available to the firm.

5.2.2.1 Exporting

Foreign market entry via exporting is traditionally one of the first methods firms use to internationalise their activities. It is different from the other entry modes since the firm's final or intermediate product is manufactured outside the target country and subsequently transferred to it. Moreover, it is also thought to be straightforward, less risky than other forms of internationalization and to offer a simple and cheap exit strategy if required (Johnson and Turner, 2003). Hill (2000) argues that such minimal level of risk can be explained by the fact that exporting avoids the often-substantial cost of establishing manufacturing operations in the host country. Additionally, he states that another distinct

[175] An institutional arrangement refers to the mode for entering or expanding in a foreign market.

advantage of such a mode of entry is that it helps a firm to achieve experience curve and location economies.

The literature on exporting classifies the latter into two categories: indirect and direct exporting. Hatten (2003) describes the former as the simplest and perhaps most cost-effective way for a firm to export, as it just has to hire an export service company to market its product abroad. Indirect exporting uses intermediaries who are located in the company's home country and who take responsibility to ship and market the products. It follows, henceforth that this method has the advantage of minimizing the financial and personnel resources needed to promote international sales. As such, the fee charged by an export service company will reduce the firm's profit margin, but it is thought that the increase in sales will offset this disadvantage. A more disastrous impact, however, is that the firm may lose control by operating through an intermediary. Finally, there are several kinds of intermediaries to consider when opting for indirect exporting, namely: agents and brokers;[176] export management companies (EMCs);[177] export trade companies (ETCs);[178] piggyback exporting;[179] and foreign-based distributors and agents.[180]

Direct exporting, as its name suggests, is more proactive and hands-on than indirect exporting and involves an enterprise distributing and selling its own products into a foreign market. This means that the exporting firm will have more control over the exporting process, greater potential profit and direct contact with its customers. Yet, the firm will have to choose the target countries, arrange the most efficient channel of distribution and market its product in the foreign country. Direct exporting is as such

[176] Both agents and brokers will put the company in touch with foreign buyers; set up the deal; they can even provide consultation on shipping, packaging and documentation but will not buy the products.
[177] EMCs provide a much fuller range of services than agents or brokers, but they still do not take title of the firm's products. EMCs act as the firm's own export department, conduct marketing research, arrange financing and distribution channels, attend trade shows and handle logistics.
[178] ETCs perform many of the functions of EMCs, but they generally take title of the firm's goods and pay the latter directly.
[179] If the firm can find another company that is already exporting, it may be able to make a piggyback arrangement to take advantage of the international connections the other company has already established.
[180] Foreign-based distributors and agents perform the same jobs as the firm's home representatives, except that the former can provide the advantage of cultural and local knowledge that the exporting firm will not be able to get elsewhere.

thought to be riskier, more expensive, and more difficult than indirect exporting but because the firm pay less fees or commissions, its potential profit can also be greater.

However, despite the various benefits attached to it, exporting may not be appropriate in some circumstances. For example, the market may be too big to be served from the firm's limited production base, or the firm's product may face import restrictions. In these circumstances, going beyond exporting can open up a much wider window of opportunity on the world. This leads to one of the most common beyond exporting option, which is, the strategic alliance option.

5.2.2.2 Strategic Alliances

As managers confront a competitive environment that is increasingly complex, globally centered, and technologically uncertain, there is a need for dynamic, flexible, and proactive responses. As a result, many companies opting for strategic alliances. Evidence suggests that this is a reasonable choice. Properly utilized, alliances can provide a number of advantages over traditional organizational arrangements including faster market penetration (Gomes-Casseres 1989), the sharing of financial risk (Jorde and Teece 1989), possibilities for technology transfer (Lei and Slocum 1992), and increased production efficiencies (Datta 1988). Strategic alliances can be broken down into three groups, namely: non-equity strategic alliances, equity strategic alliance and joint ventures.

a. Non-equity strategic alliance

The first type is the *non-equity* strategic alliance formed through sub-contracting agreements between a firm and one (or more) of its suppliers to supply, produce, or distribute a firm's goods or services without equity sharing. They include: licensing, franchising, and subcontracting. Hitt et al (2001) and Gemser et al (2004) have considered the different benefits of such alliances and have concluded that because they do not involve the forming of a separate venture or equity investments, non-equity alliances are less formal and demand fewer commitments from partners than joint ventures and strategic alliances.

1. Licensing

Licensing is an attractive form of market entry and is most common in high-technology and R&D-intensive sectors such as pharmaceuticals and chemicals. It is a non-equity, contractual mode with one or more local partner firms, involving the granting of permission, or license, by the owner (the licensor) of a proprietary product or process to the licensee to exploit the former's intellectual property in a particular region and over a specific period of time. The intellectual property in question includes patents, copyrights, trademarks and increasingly management and technical assistance and product upgrades and improvements. In return the licensor receives payment, usually an upfront payment and royalties from the licensee.

Such mode of entry requires little or no commitment of resources by licensors while enabling them to exploit their research and development achievements through the generation of royalty income. Licensing also enables firms to avoid restrictive host country regulations regarding their entry into foreign markets. Moreover, the licensor benefits from the licensee's local knowledge and gains a presence in the market more quickly than through the establishment of subsidiaries or via joint ventures. However, licensing does not provide a basis for further expansion into a market. Indeed, it is possible that licensing can create competitors for the licensor by handing over core competencies to potential competitors.

2. Franchising

Licensing and franchising are conceptually similar: in franchising, rather than buying access to patented technology, the franchisee buys the right to use the franchiser's name or trademark. Broadly speaking, there are two types of franchising namely: the 'first generation' franchising and the 'second generation franchising' or 'business format franchising'. While the former is the more arm's length approach of the two involving activities such as soft drink bottling and automobile and petrol retailing, the latter involves the purchase and transfer of a more comprehensive business package in which the franchisee not only gains access to brand names and trademarks but also receives extensive instructions on how to operate the franchise, management training, and, occasionally, financial support.

It could be argued that franchising is an attractive internationalization option for service-based industries. It enables them to establish a presence in a new market quickly without significant direct investment and it uses a standard marketing approach to create a global image. Likewise, it also yields the usual benefits of market entry with a local partner- that is, local knowledge, especially in relation to dealing with local and national level public officials and authorities. Although the degree of control varies from operation to operation, the franchiser in business format exerts much control than in the first generation franchises, to protect its global image.

3. Subcontracting

Subcontracting corresponds to the transfer of the production segments outside the country, either to a non-affiliate or an affiliate company (Federico, 2002). The literature on this non-equity strategic alliance reveals that it can be broken down into: industrial subcontracting and commercial subcontracting. Industrial subcontracting takes place between independent units (the principal and the subcontractor) located in different countries and concerns the manufacture of intermediate products (parts, components or sub-assemblies) to be incorporated into a product, which the principal will sell. Such orders may also include the treatment, processing or finishing of materials or parts by the subcontractor at the principal's request. Contrastingly, the commercial subcontracting takes place between two independent units located in different countries and concerns the manufacture of finished products (without assembly or finishing) that will be exported either via the principal or directly by the subcontractor.

Subcontracting activities have elements of both inward and outward internationalization: it can either be used as a pre-stage for establishing own production unit in the country in question or it can be considered as an alternative for export and foreign direct investments. However, the existence of the international dimension in the subcontracting relationship increases the challenges faced by both customer and supplier. In general, the success of a subcontracting relationship is mostly dependent on both the choice of the partner and the ability to create a good working relationship between the partners. Previous studies indicate that problems occurring in such an international inter-enterprise relationship may be either of operational or cultural nature (Arino et al. 1997). Penttilä (1992), for instance, explains that these problems are most often caused by: long psychical distance resulting in prolonged delivery times and unreliability of the subcontractor; fluctuating and/or insufficient quality; differences in business culture and; cultural differences in general, such as, differing business practices and language problems.

b. Equity strategic alliance

The second type is *equity* strategic alliance, which is an alliance in which partners own different percentage of equity in a new venture or project, or an existing firm. According to Shaw (1990), Brown (1991) and Van Horn (1990), strategic alliances are an excellent way for enterprises to commercialize their products internationally and to make up for a certain rarity of resources.

c. Joint ventures

Strategic alliances in the form of international joint ventures involves a long-term alliance in which each member has an equity stake and exercises control and influence over decision-making. In the current global marketplace, such entry mode has become a popular mode for entering foreign markets because it enables partners to achieve objectives that are difficult to achieve independently.[181] Moreover, joint ventures allow firms to pool resources and complementary strengths to increase productivity and to improve competitive position in a way that they could not do alone (Harrigan, 1988; Pearce, Robbins, & Robinson, 1987). They also provide the opportunity to share costs and risks, to acquire knowledge, to enter new markets, and to gain economies of scale or to rationalize operations (Contractor & Lorange, 1988).

[181] Joint ventures offer a mechanism for doing together what firms are unable to do alone, which is especially important for smaller firms with very limited resources.

On the down side, joint ventures lessen individual control, and can be slow in their responsiveness to environmental dynamics due to the complexity of joint management (Kanter, 1989; Killing, 1982). Partner firms run the risk of creating new competitors, damaging their original firm's reputation, and eroding their technological base (Gomes-Casseres, 1989).

5.2.2.3 Wholly owned subsidiary

Alternatively, in a wholly owned subsidiary the firm owns 100 percent of the stock and so, it has full ownership and sole responsibility for the management of operations. Establishing a wholly owned subsidiary in a foreign market can be done in two ways: the firm can either set up a new operation in that country or, it can acquire an established firm and use that firm to promote its products in the country’s market.

In general the benefits enjoyed by the firm, preferring this entry mode for overseas expansion to alternative modes, are diverse. For instance, when the firm’s competitive advantage is based on technological competence, a wholly owned subsidiary will often reduce the risk of losing control over that competence. Apart from the tight control that the firm can exert over its operations, the company will also be in a better position to serve its market and its control the promotional activities. On the other hand, establishing a wholly owned subsidiary is the most costly method of serving a foreign market. Indeed, firms opting for this mode of entry must bear the full costs and risks of setting up overseas operations. Moreover, the firm may also face cultural problems such as language barriers and different corporate cultures.

5.3 SMEs and Globalization: Is globalisation size-dependent?

With the current strong political and economic trends towards globalisation – discussed earlier, *all* firms are facing the effects of increased international competition. In such a dynamic environment marked by fast technological changes, achieving and retaining a competitive edge are both a necessity and a challenge. Indeed, it is becoming increasingly imperative to be internationally competitive in order to function effectively, even in domestic markets. Competitiveness is the key to success and sustained growth in global operations. It henceforth follows that building up the competitive edge of SMEs, and improving their operational efficiency can pay rich dividends in the long run, at both the national and at the enterprise level.

Nevertheless, early research has pointed that the main beneficiaries of the globalisation process would be larger enterprises, at the expense of SMEs. Indeed, it has been advocated that the traditional drivers of globalisation may not apply to small firms (Campbell, 1997), or at least, that SMEs' globalisation drivers are different from those of large companies. Caves (1982), for instance, declared that the additional costs of globalization incurred by small business constituted an important reason for expecting foreign investment to be an activity mainly carried out by large firms. The findings of Horst (1972) gave support to Caves' statement as they reveal that after controlling for industry effects, the only factor significantly influencing the propensity to engage in foreign direct investment was the firm size. This simply meant to excerpt Chandler's (1990) words that to compete globally; a firm had to be big.

Contrastingly, McClelland et al. (2005) affirm that internationalisation is not only the province of large multinational corporations, since many smaller firms are also finding that the global marketplace offers amazing potential for business growth. Similarly, Julien (2001) writes that it has become increasingly difficult to discuss the development of SMEs without making a link to the globalization of markets and thus of the economy. More importantly, Mundim et al. (2000) advocate that the possibility to exploit the benefits derived from globalisation is not size-independent- which is in sharp contrast with Horst's (1972) findings. They declare that as the market size increases due to the removal of trade barriers and due to the standardisation of consumers' consumption, habits and tastes, the number of competitors increases as well. Henceforth, in such a crowded market they conclude that one can hardly say that firm size plays a role. Likewise, Audretsch (2002) explains that technology, globalisation, deregulation, labour supply, variety in demand and resulting higher levels of uncertainty have shifted industry structure away from greater concentration and centralisation, and toward less concentration and decentralisation. As a result, he propounds that the industry structure is shifting toward an increasing role for small enterprises; with an increased role of entrepreneurial activity resulting in higher subsequent rates of growth. Henceforth, the theorist concludes that small and medium sized firms are not disadvantaged by scale since technology has reduced the extent of scale economies and because the importance of innovation reduces that of large-scale production.

Some empirical evidence

Moreover, recent empirical evidence indicates that SMEs have been successful in responding to the challenges of this new era. Findings revealed that while a majority of SMEs have the vocation to serve only local markets, a significant share of enterprises need to access foreign markets to ensure their survival and expansion (OECD, 2002). Additionally, Julien (1996) asserts that about 85% of small firms are operating to some degree with a strategy that can respond to market globalization.[182] Additionally, a recent survey of a representative sample of manufacturing SMEs (234 businesses with between 3 and 250 employees) in three Quebec regions have shown that these businesses are relatively sensitive to increased world competition. Although a few of them (less than 30%) are well-informed on this agreement and have taken specific steps, almost 70% made recent investments, are involved in organized or sporadic R&D to set their product apart, are organizing their strategic alert increasingly well. This study is confirmed by another survey in Quebec of 408 manufacturing SMEs with respect to their growing use of new technologies to consolidate their competitiveness. The results of the study show that use of at least one computerized or "leading-edge" technology increased from approximately 13% in 1986 to over 50% in 1992 (Julien and Carrière, 1993). This evolution relativises therefore the concept of the SMEs' lag vis-à-vis large businesses as regards to the level of modernization of their production processes when dealing with increased international competition.[183] It follows, as a result, that parallel opportunities are opened on international venues even for micro firms.

[182] This implies the purchase of goods or services from foreign countries, the sales of goods or services to foreign countries, investments in foreign countries, agreements between enterprises from different countries, etc.
[183] This is also in line with Audrestch (2000).

5.4 Motives to go global: From a small firm perspective

The process of globalisation for SMEs has been facilitated by both push and pull factors. The push factors arise when the SME seeks growth but cannot achieve it in its home market (push factor) and so pursues a strategy of internationalisation in other markets where it can see potential opportunities (pull factor) which hinge on the appropriate circumstances. Normally this would suggest a strong strategic planning emphasis, however, in many cases an SME takes the first step to internationalisation as a result of a lucky or fortuitous combination of events and circumstances. This chance element means that many SMEs internationalise in a rather passive and reactive way. Johnson and Turner (2003) argue that such a trend underlines the fact that the process of SME internationalization occurs by default, as more open economies expose their domestic markets to more intense competition from external sources and hence, is not always a deliberate strategic choice made by enterprises.

5.5 The small firm and its pace of internationalisation

Theorists have made the distinction between different types of SMEs with regards to the pace with which the latter are engaged in the internationalisation process. For instance, some have identified three categories of firms namely: the ‘traditional’ firm, the ‘born global’ firm and the ‘born again global’. Bell et al (2003) define ‘traditional’ firms as those companies that are slow to internationalise and which can exist in domestic markets for years before progressing on to the next stage and going international. They are also seen to be reactive and their transition into international markets is often the result of an unsolicited order or enquiry, or due to unfavourable conditions in the domestic market. Moreover, their objective appears to be survival by increasing sales volume, greater market share, or extending product life cycles.

The born global firms – mentioned in section 1.6 - on the other hand, plan to internationalise from inception, enters multiple markets at once and does not adhere to the chronology of stages that 'traditional' firms follow. Contemporary theorists declare that these firms embark on rapid internationalisation with little thought of defined boundaries or borders (Chetty and Campbell-Hunt, 2004) and view the global market place as one unified market through which they can profit (Oviatt and McDougall, 1994). Born global firms are also willing to take business risks[184] and their key objective appears to gain first mover advantage and achieve rapid penetration of global niches. Yet, to adequately define 'born global' firms, a time frame from inception to internationalisation must be established to ensure that the firms are 'born global'. There has been significant debate on this issue, with the maximum time frame for the definition ranging from the two years stated by McKinsey et al. (1993) up to an eight-year time frame cited by McDougall et al (1994).

The third type of firm is the 'born again global' which begins as a 'traditional' firm, but after experiencing a change in circumstances brought about by a 'critical incident', such as new, incrementally oriented management, quickly enters multiple international markets, becoming more like a 'born global' company. It is suggested that the 'born again global' firm's sudden change of focus from a domestic to an international orientation is often triggered by an infusion of new human and/or financial resources, access to new networks in overseas markets, acquisition of new product/market knowledge, or some other critical incident. The main objective of these firms is to exploit the new networks and resources that they now have access to, due to the critical incident that sparked their transformation. A weakness of the extant literature on such firms is that no adequate definition of the time required to be classified as a 'born again global' has been supplied.

Others like Julien (1996) have also offered a typology of the internationalisation of SMEs based upon how these businesses respond to globalisation and which identifies five types of SMEs. The first one is the local (or regional or domestic) firm found outside global markets, which uses only domestic resources for production and distribute its products or

[184] Oviatt and McDougall (1994, 2005); Chetty and Campbell-Hunt (2004); Bell et al (2003) and Jones (1999).

services to nearby markets. The second type of firm referred to as 'glocal', sells its products or services on domestic markets but obtain all or some of its supplies from foreign countries. The third category relates to the exporter SME, which exports less than 20% of their products or services. The next type of firm is that of the small firm that imports as well as exports, sometimes in increasingly numerous markets. The last and fifth category identified by Julien is the small firm that utilises international networks and operates indirectly on the world market through links with other international firms.

Haahti et al (1998) have also categorised the internationalisation process of SMEs. They differentiate between conventional companies with a traditional local focus and more innovative companies who have, by their very nature, a more global focus. They argue that while conventional SMEs have strong local demand and see themselves as meeting primarily local needs, innovative SMEs tend to be more global, focusing upon narrow product/service segments within this context.

5.6 Small firms and the different international strategies

Once a firm decides to enter an international market it must select an appropriate organizational structure, or entry mode (Erramilli & Rao, 1993; Burgel & Murray, 2000). Examining the international entry mode behavior of SMEs may be important because, as a recent study by Lu and Beamish (2001) found, entry mode type is significantly related to SME performance. Thus, choosing the right international entry mode can have significant performance implications for SMEs. Some scholars have suggested that SMEs may be able to service small niche markets (Yap & Souder, 1994) by reducing investment risks and encouraging the use of more investment-intensive, equity-based entry modes, such as joint ventures and wholly owned subsidiaries.

However, other scholars (Symeonidis, 1996; Tether, Smith, & Thwaites, 1997) suggest that SME technology may be less innovative than that of large firms, hence SMEs may use non-equity modes in an attempt to obtain more advanced technology. Because of the such particular characteristics of SMEs, it is henceforth unclear whether large firm mode choice theories can be applied.

Indeed, scholars such as Mort et al (2005) have argued that there is a lack of relevant theories on small firm internationalisation and explain that existing theories on that subject tend to rely on large multinational firms as the unit of analysis. However, Johnson and Turner (2003) have drawn a note of caution by affirming that an overarching theory to explain the internationalization process of SMEs will be elusive, due to the heterogeneous nature of SMEs and their correspondingly diverse commercial environments.

5.6.1 The incremental change paradigm

Havnes (1998) advocates that the models for describing and analysing development of SMEs, with respect to the internationalization process, are dominated by the incremental change paradigm. Typical for the incremental change models is that the enterprises are assumed to evolve from a low to a high degree or measure of activity; in small or large steps which are all assumed to be unidirectional. While this paradigm applies well to 'traditional' firms, 'born global' firms often progress through these stages much more quickly, skip some of them or complete them out of chronological order. Moreover other critics have argued that the paradigm tends to be a rather simple formula to explain what is often a very complex process, and that the model is too rigid for 'born global' firms.

5.6.2 The Foreign Direct Investment Theory

Even if the FDI theory represents a generally accepted model in the international business field, one of its criticisms is that it is simply a decision process for investment decision and not an actual explanation of the motivations and reasons for the eventual success of internationalization (Johanson and Mattson, 1988). Furthermore, McDougall et al. (1994) found that in some international new ventures, entrepreneurs did not make internationalization decisions on the basis of lowest cost locations; and neither did they attempt to internalize activities to the point where the benefits of further internalization were outweighed by the costs. Furthermore, strategic alliances were found to be common for international new ventures even though the firms ran the risk of losing proprietary know-how through opportunistic partner behaviour.

This is in sharp contrast with Brouthers and Nakos (2004) who found that the transaction cost did a good job in explaining the SME mode choice and that SMEs that used the transaction cost theory-predicted mode choices performed significantly better than firms using other forms.

5.6.3 The network theory

Increasing interest has also been shown in the network theory and internationalization.[185] Indeed it has been argued by many that networks are a key factor in the success of the internationalization of small ‘born global’ and ‘born again global’ firms at all stages of their internationalization process rather than only at the start (Oviatt and McDougall, 2005; Autio et al, 2000). Networks have been argued to contribute to the success of born global firms by helping to identify new market opportunities and contribute to building market knowledge (Coviello et al., 1995; Chetty et al., 2000; Madsen et al.; 1997). Mort et al (2005) advocate that networks are important for born global firms because of their resource constraints (Coviello & Murno, 1995, 1997). However, Okoroafo (1999) found that the majority of small family firms were not aware of networks, such as government programs, that would assist them in internationalising.

- **An integration of the different theories**

Recently, Coviello and McAuley (1999) concluded that SME internationalization is best understood by integrating major theoretical frameworks’ and called for ‘future research based on a more holistic approach to conceptual thought, empirical work and methodological development’ (see also Fletcher, 2001). This is in accordance with Coviello and Munro (1997) who conclude that the internationalisation process for small firms, at least for small software firms, can be enhanced by integrating the models of incremental internationalization with the network perspective.

[185] (Benito and Welch, 1994; Johanson and Mattsson, 1988; Johanson and Vahlne, 1992)

5.7 Small firms and modes of entry

Small firms and exporting

A number of researchers have suggested that exporting is a necessary ingredient to ensure the survival and growth of small firms (D'Souza and McDougall, 1989; Edmunds and Khoury, 1986). Papadopculos (1987) argues that large firms have an unlimited number of foreign market entry options, while SMEs are limited to exporting in their international operations. This is attributed to a lack of human resources, capital, production capacity and access to sophisticated market research information (Kaufmann, 1995; DFAT, 1995; Baird et.al, 1994; Hansen et. al, 1994).

However, firm size is one of the most analysed variables in the exporting literature mainly because many new and small firms perceive their lack of size acts as a barrier to exporting (Becker and Porter, 1983; Lang, 1977).[186] As such, it was argued that the majority of new and small firms can be classified as 'local' firms because they solely sell their goods or services in domestic markets. Yet evidence regarding the relationship between export activity and size (measured in terms of sales revenues or employment) is rather mixed. Julien (2001), for example, observes that on average, small businesses export less than large ones.

This is in accordance with Bonaccorsi's (1992) who detected a significant positive relationship between large firm size (a useful surrogate measure of a firm's resources) and the ability to be an exporter. This relationship has been supported in numerous studies, which have focused on sales revenues size[187] or employment size[188]. Some studies have, however, found that smaller firms are more likely to be exporters (Bilkey and Tesar 1977). Furthermore, although Hirsch and Aden (1974) or Cavesgill and Nevin (1981) have concluded that the larger the business, the more it exports, Elfeld (1986),

[186] Evidence from studies focusing upon the exporting activities of new and small firms suggest that only a minority of firms sell their goods or services abroad (for a review see Westhead 1995a).
[187] (Bannock 1987, Bannock and Peacock 1989, Calof 1993, O'Reilly 1993, Westhead 1995a, Bagchi-Sen 1999).
[188] (Cavusgil and Naor 1987, Westhead 1995a)

Holden (1986) and Ali and Swiercz (1991) have shown that this variable is insignificant or unclear.

Additionally, the U.S. Bureau of the Census (1997) announced that although companies with 500 or more employees accounted for 71% of export value, small and medium-sized firms (those with fewer than 500 employees) accounted for almost 96% of all exporters. Moreover, the fact that the exported production share of most exporter SMEs is relatively low, may be due to national and international circumstances or fluctuations in monetary parities (Julien, 2001). For example, Japanese SME exports have significantly decreased over the past few years owing to the significant rise in the value of the yen.

Karagozoglu and Lindell (1998) have identified several commonly cited motivations for a firm to internationalize. They found that small enterprises were more likely to export when global market opportunities were more promising than domestic ones, when the firms received inquiries from potential foreign buyers, and when they detected insufficient demand in domestic markets.

- **Some problems encountered by SME exporting firms**

A study of small exporting firms showed the two most frequently cited export-related problems were communications and sales effort. A study of small manufacturing firms in Wisconsin found the most frequently cited problems to be insufficient finances, foreign government restrictions, insufficient knowledge about foreign selling opportunities, inadequate product distribution abroad, and lack of foreign market connections. Another study of firms exporting agricultural products found that foreign market information was the most important government service offered to these firms, with circulation of inquiries received from abroad often ranking second. Small firms not currently exporting gave low ratings to government services, international trade shows, seminars and workshops, and government offices overseas. The chief drawbacks cited were the lack of resources and the lack of information.

Theoretical and empirical research findings published in the last 10 to 20 years on the factors that explain SMEs involvement in exporting all agree on one point: the limited ability of these businesses to acquire information and knowledge about foreign markets and to manage foreign activities is largely responsible for their relatively low level of exporting commitment and poor performance (Reid, 1984; Seringhaus, 1987; Christensen, 1991). Even if most SMEs simply do not make the effort, or are afraid of tackling international markets; some of them limit their international activities because of their poor control over these activities, mainly as a result of a lack of information (Julien et al., 1997). This problem is especially important because information is becoming a crucial resource in the knowledge economy and global market, not only for large enterprises, but also for SMEs.

Cavusgil (1984) examined the market research activities of exporting firms according to their stage of internationalization. Successful exporters ascribed more importance to the search for specific information and used a much broader range of information sources. Second, Samiee, Walters, and Dubois (1993), compared the use of information sources by proactive (innovative) and reactive exporters. They found that proactive exporters (exporting a larger percentage of their sales and much bigger batches) used more secondary information sources (business magazines, government organizations, boards of trade, research reports) and had a broader range of sources. Finally, Houle (1994) compared the knowledge and use of market-related information and information sources by Canadian exporting SMEs according to the level of foreign involvement (share of e xports to the United States). He reported that the successful exporters knew more about their international markets and made more use of both information and export-related information sources.

Small firms and Strategic alliances

Since small- and medium-sized enterprises are often characterized by tight resources, limited access to capital, and specialization in niche markets, along with increased globalization and rapid technological change, they face even more severe competition than large organizations. Chung et al (2006) explain that in order to compensate for their size, smaller firms are expected to use strategic alliances as a way to overcome their resource disadvantage and to increase their overall competitiveness by providing access to external resources and market opportunities by providing synergies and enhancing learning capabilities (Hoffmann and Schlosser, 2001). BarNir and Smith (2002) also argue that strategic alliances may allow smaller firms to improve their ability to outmatch a stronger competitor, to enter into new markets, and to gain an access to lacking resources.

A number of authors (Ritchie & Brindley 2001, Vescovi 2001) have also suggested that membership of a strategic alliance is more applicable to SMEs that have an international market focus. This is line with Mazzarol et al. (1999) and Fallon and Moran (2000) who report that smaller SMEs gain benefit from membership of a strategic alliance. For instance, MacGregor argues that properly utilised, strategic alliances can provide advantages like the sharing of financial risk (Jorde & Teece 1989), technical knowledge (Marchewka & Towell 2000), market penetration (Achrol & Kotler 1999) and internal efficiency (Datta 1988).

Yet, Miles et al. (1999) suggest that for SMEs the decision to develop strategic alliances comes from a perception of goals by the individual organisation. If the organisation sees itself as strong in its own right, a strategic alliance may be seen as an option to increase that strength. The distribution of power moves in favour of the strong organisation allowing it to capitalise and influence weaker members without losing its own identity. If, on the other hand, the organisation sees itself as weak, a strategic alliance may be a necessity in order to survive and compete in the larger marketplace. For these organisations the distribution of power works away from them, leaving them in a weak position in exchange relationships.[189] In a small strategic alliance (few participating organisations) there is more likely to be an asymmetric relationship between partners. As the size of the strategic alliance increases there are a greater number of potential partners, providing a greater chance to benefit for all members. If, as Foy (1994 cited Dennis 2000) suggests, by taking advantage of the coordination and economies of scale, large

[189] It is to be noted that this of course varies from strategic alliance to strategic alliance.

vertical organisations, whilst embracing the flexibility, creativity and lower overheads of small firms, members of a strategic alliance are able to enjoy the best of both worlds"

Yet, the question arises as to why small businesses have not become members of some form of strategic alliance. A number of reasons are suggested in the literature. Drakopoulou-Dodd et al. (2002) found that in studies of European SMEs more than 50% reported that they derived their technical support, financial advice and business know how from family and friends. Furthermore, Gimeno et al. (1997 cited Dennis 2000) found that many SME owners negatively affect potential strategic alliances by withholding necessary information to their strategic alliance partners. Lastly, McBer et al (1986 cited Dennis 2000) found that SME owners refuse to trust or cooperate with similar business owners in the same industry.

While smaller firms have their advantages over large firms with regard to flexibility, spontaneity and the ability to make decisions quickly while avoiding the bureaucracy present in large organisations (Caloghirou et al, 2004), they also face a myriad of challenges whilst trying to internationalise.

5.8 Obstacles to SMEs' internationalisation

The main obstacles to SMEs' internationalization may be grouped as internal or external ones. Internal obstacles include informational barriers (e.g. unreliable data on the international market), functional barriers (e.g. lack of competencies and trained personnel), product and price barriers (difficulty in matching competitors' prices) and lack of bargaining power, distribution and logistics barriers (e.g. complexity of foreign distribution channels).

External obstacles include poor and inefficient infrastructure, lack of financial resources, lack of conducive regulatory and macroeconomic policies, unfair trade policies, procedural barriers (e.g. unfamiliar exporting procedures), governmental barriers (e.g. unfavourable home rules), customer and foreign competitor barriers (e.g. different competition habits), business environment barriers (e.g. foreign exchange risks), and tariff and non-tariff barriers (e.g. inadequate property rights protection). Furthermore, even in economies where a package of services for internationalization is provided, few of these are geared to smaller firms. Yet, Fillis (2002) notes that firms at the same internationalisation stage will not necessarily exhibit similar attitudes towards barriers and that this is dependent both on individual firm and managerial characteristics.

I. The entrepreneurial mindset

In reviewing the literature it is evident that the entrepreneurial mindset plays a crucial role particularly in smaller firms where the owner and manager is often the same person and their personal influence has a strong effect on the direction of the firm.[190] Fillis (2002) found that risk averse managers who were more domestic market oriented and lacked the competence of their more experienced counterparts perceived the barriers to internationalisation as much more difficult to overcome than managers who were open to risk.

Often different firms at the same internationalisation stage portrayed different attitudes towards potential barriers, as it was dependent on the entrepreneurial mindset and the perception of the entrepreneur. Ibeh (2003) found that the owner/manager is often the only decision maker hence the firm was totally reliant on the decisions of the entrepreneur. As early as 1988, Miesenbock identified that "the key variable in small business internationalisation is the decision maker of the firm. He or she is the one to decide starting, ending and increasing international activities" (Miesenbock, 1988).

This was later confirmed by Burke and Jarratt (2004) who state that strategy formulation and implementation is person driven rather than process driven in SME's, as the success of small firms is often dependent on the leadership style of the entrepreneur. This supports previous studies that suggest the importance of the entrepreneurial mindset in the internationalisation process of the firm. Chetty and Campbell-Hunt (2003) in their

[190] (Andersson, Gabrielsson and Wictor, 2004; Brand and Bax, 2002; Fillis, 2002; Coskun and Altunisk, 2002)

study of the internationalisation of SME's in New Zealand, confirm the importance of the entrepreneur in the success of small firms, and they found that entrepreneurial determination, openness to risk and drive were what really built firms and helped them expand into international markets.

While entrepreneurs have the ability to steer the firm in the right direction, pursue international markets and increase the profitability of the firm, the entrepreneurs as key decision-makers in SME's, also have the potential to prevent internationalisation thus acting as a barrier in the internationalisation process (Ibeh, 2003). When the owner and manager of an SME is the same person (Fillis, 2002; Brand and Bax, 2002; Chetty and Campbell-Hunt, 2003), the behaviour of the firm is determined by the personal influence of the entrepreneur (Ibeh, 2003). According to Chetty and Campbell-Hunt (2003) the decision-maker's lack of knowledge about a foreign market, their level of education, their foreign market experience and their attitudes and beliefs about the risk associated with internationalisation all affect the decision to internationalise and can therefore prove to be a barrier.

- **Marketing issues**

Others studies on the internationalisation of SMEs (Zafarullah et al, 1998) found that SMEs from emerging economies tend to be more production oriented due to the abundance of labour resources, however their lack of marketing expertise when operating in a developed market, makes them more reliant on agents and distributors hence forcing them to choose exporting as their mode of entry as against FDI. Confirming Zafarullah et al (1998), Raymond et al (2001) in their study of SME internationalisation in Korea found that while Korean exporters found quality of their products comparable to that of the developed nations of the world, it was perceived that their market research abilities, brand equity and promotion abilities were inferior. Finally, Coskun and Altunisk (2002) in their of the barriers faced by Turkish SMEs while trying to internationalise, found that insufficient marketing expertise was one of the greatest limitations. In particular, inadequate foreign language skills and the inability to envision changes in consumer preferences and the changes in the market environment were seen as the main barriers to SME internationalisation for Turkish firms.

II. Institutions, and general infrastructure

Many of the barriers that SMEs can face originate at the level of the national economy, institutions, and general infrastructure. This corroborates the OECD's (2004) argument that competition policy, legislative and regulatory frameworks, telecommunications infrastructure, research and education policy all contribute to SME preparedness or lack of preparedness for globalisation. Badrinath (1994) argues that close cooperation between the government, promotional institutions and the business community is essential in providing an impetus for SMEs to internationalization. He argues that very few SMEs actively seek to contact Chambers of Commerce, and other trade organizations about information such as potential markets to enter. [191] Zafarullah et al (1998) also found that the assistance provided by the Government in Pakistan is often limited to the lists of potential importers as set out by the Export Promotion Bureau of Pakistan.

III. The small firm resources

An altogether different set of constraints emanates from the limited resource base of small firms. Specifically, the financial resources available to a small business can also act as a considerable constraint in developing an international orientation (Bilkey, 1978; Bauerschmidt and Sullivan, 1989). This can take two forms: lack of finance may impede the firm's ability to identify opportunities arising from the opening-up of national markets; whilst inadequate financial resources may restrict the exploitation of opportunities already identified (Smallbone and Wyer; 1995).

An additional constraint is the management resource base of small enterprises. In these firms management time is in very short supply partly because of the small number of managers, especially those possessing specialist expertise and partly due to the unwillingness of the entrepreneur to delegate (d'Amboise an, Muldowney, 1988). The pervasive influence of the entrepreneurial personality, combined with the modest

[191] However, government and trade organisations were identified as essential to SMEs in order to help them keep up and be aware of the latest market trends, consumer preferences and technologies and make contact with potential buyers or agents.

resources at hand, means that small businesses are invariably characterised by quasi formal planning and control systems procedures (Roth 1992). As a consequence, there are significant problems in the acquisition of market information, the management and co-ordination of the actual management effort, and the development of a coherent marketing/distribution approach. Moreover it has been advanced by Hall (1995) that unless some of the systemic problems in the finance markets are addressed as well, investment in improved skills will have little benefit.

IV. Customer base

Another cited impediment is the small firm’s dependency upon a relatively smaller customer base. This is in accordance with Carson (1985) who affirms that firms often operate on local or regional markets and with a few key customers. This increases their vulnerability, since they are often very dependent on these large customers, and therefore all structural changes in the industry have a significant impact on them (Marchesnay & Julien 1990). That said, it follows that due to their weak position in the market, SMEs’ possibilities to affect developments are very limited.

Moreover, once the company has started its internationalisation it might perceive other obstacles more connected with relations in specific customers. In some cases these obstacles could be the result of difficulties in facing new and unfamiliar product standards, safety regulation or the customer's preferences (Rabino, 1980). Moreover it has been argued that if the company cannot meet the customer's requirements, there might be severe difficulties in building long-term relationships with the customer.

V. Geographic boundaries

Geographic boundaries are big impediments to SME internationalisation. By crossing their national threshold, SMEs have to operate in an unknown and often intransparent economic, juridical, political and cultural environment, which makes international endeavours an often costly undertaking. The costs incurred can be prohibitive given SMEs’ notoriously over-stretched resources and their already difficult access to capital. Special costs associated with internationalisation relate for example to informal trade barriers, such as lack of information on business opportunities and weak international contract enforcement. In addition to search and contract enforcement costs, there is the huge burden of financial risk, such as export financing exposed to fluctuating currencies and price (exchange rate risk) and credit risk when dealing with international business counterparts.

Yet, the reluctance of SMEs to engage in the international economy is being overcome in no small way through the process of technological change. For instance, developments in communication, transport and financial services are all enabling SMEs to exploit foreign markets. Moreover it has been argued that the development of clusters can be of special importance to SMEs, allowing them to bypass some of the financial and other practical problems that they would otherwise face in their development.

- **Clusters and the globalisation of SMEs**

An important factor shaping competitiveness in the global economy is the tendency for firms in the same business to locate and operate in close physical proximity. As the OECD notes, this is an oxymoron in the globalisation process with the localisation of competitive advantage in various industries and activities whereas the trend towards globalisation should in theory reduce the importance of sub-national regions. Yet across much of the developed world, clusters are becoming increasingly common. In areas such as the Northern Italy and Spain as well as Silicon Valley, clusters have been a powerful force shaping the competitiveness of economies within particular sectors.

Clustering can generate benefits that progressively increase the competitive advantage of a group of firms and enable them to use this base to complete globally. These clusters tend to be characterised by a constant turnover of new entrepreneurial firms and can contain a small or large umber in a related industry and can be of a variety of sizes. Companies in such network are known to operate in a better business environment, leading to improved performance; access to specialist knowledge, skills, resources; lower transaction costs; specialist infrastructure; enhanced productivity and output.

The attractiveness of these clusters to SMEs comes through the ability of these networks to combine advantages of small scale with the benefits of large-scale production; enhance productivity; stimulate innovation and thereby enhance competitiveness. For these reasons, clusters have become a primary focus of public policy toward SME development in the global economy. These networks hold the promise of allowing smaller firms to compete with larger firms on a global basis and overcome the obstacles to performance derived from their lack of scale.

Chapter 6

Research Methodology

6.0 Introduction

This chapter addresses the methodology for this study. It has been designed to encompass the research approach necessary to obtain the information required for achieving the research objectives. Qualitative research captures the above as it aims at providing illumination and understanding of complex psychosocial issues most useful for answering humanistic *why* and *how* questions (Marshall, 1996). Yet, Gilmore and Coviello (1999) argue that conventional qualitative methods alone will not reach the required level of penetration needed. As such, the research design of the study includes both a combination of both exploratory and descriptive research regarding local SMEs. The present chapter will therefore be broken down into two parts, namely, exploratory research methodology and descriptive research methodology:

1. **Exploratory Research (Qualitative)**
   Literature Survey
   In-depth Interviews
   Focus Groups

2. **Descriptive Research (Quantitative)**
   Survey of SME

The detailed methodology used for each of the above is as follows:

1. Problem Definition
2. Objectives of the research
3. Description of the different techniques used
4. Sample Design
5. Data Collection
6. Description of how the data obtained was analysed
7. Limitations of the study

OBJECTIVES OF THE STUDY

Given that little is known about how SMEs carry out their marketing activities or how they operate and prosper under globalisation, the main objectives of this study will be as follows:

1. Analyse the general marketing orientation and competencies of SMEs in Mauritius.
2. Analyse if the current marketing orientation and competencies of SMEs in Mauritius would secure them a competitive edge on the international market.
3. Study the strategic orientation of SMEs in Mauritius.
4. Profile the characteristics of the Mauritian entrepreneur.
5. Determine the importance of networking for SMEs in Mauritius and analyse if good networks encourage the SMEs to intetnationalise.
6. Analyse the extent of internationalisation of Mauritian SMEs.

6.1 Section 1: Exploratory research

Exploratory research has been selected as the most appropriate means for collecting the relevant data in the first stage of the study because it will provide insights into the problem at hand, finding possible decision alternatives and variables that are relevant to this investigation. In concrete terms, the present type of research allowed the investigators to determine a priori the marketing environment under which SMEs operated; further the understanding of entrepreneurs marketing abilities in the face of increasing competition as a result of globalisation; establish marketing training needs of SMEs and identified the problems Mauritian entrepreneurs encountered on the local and foreign markets. Furthermore, the findings of the exploratory research ultimately contributed to the design of a structured questionnaire that provided further insights into the problem being investigated.[192]

[192] It is to be noted that exploratory research may also be used to gain additional insights before going on to confirm findings using a conclusive design (Malhotra and Birks, 2003).

Two methods of exploratory research were used in this endeavour: in-depth interviews and focus groups. Both approaches are discussed below.

6.1.1 Literature review

A review of the literature was conducted to better understand the entrepreneurship, marketing and internationalisation process.

6.1.2 In-depth interviews

In-depth interviews have been a vital component of this project because they provide a means to understand why persons act as they do, understand the meaning and significance they give to their actions, in such a way that they can tell the interviewer in their own terms (Jones, 1985). In-depth interviews are in fact formalized processes in which a well-trained interviewer asks a subject a set of semi-structured, probing questions usually in a face-to-face setting (Hair et al, 2004). The main objective of these interviews was to understand the perceptions of entrepreneurs on the three aspects: marketing as a culture in the small firm, marketing as a strategy, and marketing as tactics. Quotes from interviews were clustered around themes to illustrate the survey findings of this study.

6.1.2.1 Issues discussed in In-depth interviews

A set of loosely structured questions[193] was used to ensure consistency among individual interviews. The interview guide contained 46 open-ended questions, organized around seven major themes. These are enumerated below:[194]

[193] Face-to-face interviews using semi-structured or unstructured interview schedules are considered a most effective strategy for collecting data from small firm entrepreneurs/owner-managers (Curran and Blackburn, 1994) as they allows individuals to describe what they do, how, when, where and why.
[194] The whole discussion guide has been annexed to the Appendix.

1. Profile of the firm
2. Marketing Planning
3. Market Orientation (Customer Orientation, Competitor Orientation, Functional Coordination/Synchronisation)
4. Networking
5. Performance
6. Entrepreneurial Characteristics
7. Internationalisation

The discussion guide was designed in two languages, English and French, in order to allow participants to express their thoughts, opinions and feelings, in whichever language they were more at ease.

6.1.2.2 In-depth interviewing: Determining the sample design

The sample design, which consists of defining the population, selecting the sampling method, the sample size and specifying the sample plan, is described beneath.

Defining the population

The identifiable total set of elements of interest being investigated by a researcher is defined as the population. In a similar respect, Deacon (1999) claimed that the population of a piece of research is never constant; it is defined by the research objectives. As decision making in entrepreneurial small firms is thought to be driven by the entrepreneur/owner-manager (Begley and Boyd, 1986; 1987; Fama and Jensen, 1983; Cromie, 1994), interviews with owner-managers were regarded as an effective way of gaining insight into the concept of entrepreneurial marketing. Hence, the defined target population was by definition, all SME owners in Mauritius.

The sampling frame, which contains the operational population from which the sample has been drawn (Hair et al, 2004), was the directory of SMEs in Mauritius for the year 2004/2005. It explicitly consisted of 1140 elements, which were all registered as members of SEHDA (Ex-

SMIDO).[195] The obvious shortcoming as propounded by Lal and Peedoly (2006), was that such a frame was very limited since registered SMEs may be considered to be the tip of the iceberg.[196] Yet, the above sampling frame had the advantage of providing a list of addresses and contact details, as well as a sectorial distribution of the registered SMEs, which facilitated the fieldwork enormously.

Sample selection and size

Convenience sampling, which is a non-probability sampling method in which samples are drawn at the convenience of the researcher, has been used to target the different SEHDA members. The criteria for the selection of the companies have been based on locality and the industry sector.

A common problem facing the researcher undertaking qualitative, in-depth interviewing is the question of sample size. Sample sizes in this kind of research, are necessarily small because of the complexity of the data, which are expensive and time consuming to analyze. In this end, a convenience sample of 50 entrepreneurs, who were either managers/directors or both, was contacted. Twenty-nine of the entrepreneurs (58%) agreed to participate in the study.

6.1.2.3 Gathering Interview Findings

Respondents were informed via a covering letter, which provided for the aims of the study, its sponsorship, where their names were obtained and confidentiality. At the outset, it was important to clarify that, with the full agreement of the informants, the interviews would be tape-recorded. The in-depth interviews lasted approximately 1 hour each, and were face-to-face interviews with the designated sampling element. Interviews were conducted in such a way as to allow interviewees sufficient space in which to offer as broad an answer as possible, discussing

[195] See limitations at the end of this chapter.
[196] It is to be noted that the SME sector constituted a much larger proportion of the given sampling frame.

backgrounds to issues and offering clarification of points raised. This made the context clearer and that, in turn positively influenced the reliability of the results (Gilmore and Coviello, 1999).

When the interviews were completed, the tapes were taken and transcribed verbatim, yielding a large volume of extremely rich data. All of the discussions were also coded for purposes of analysis using a coding framework based on the key topic areas outlined in the discussion guide. Follow up interviews with other staff from the companies were conducted to obtain information on products/services offered by the organisation, to check for reliability and validity of the data, and to obtain missing information.

The data from this stage of the study were used to fine-tune and to add to current conceptual thought. It also highlighted areas which had not been explained sufficiently, and which therefore merited further investigation.

6.1.3 Focus groups

Focus groups were used in this study as an additional source of data collection to provide *methodological triangulation* (Denzin, 1970). In face-to-face interviews, ``the filter of the ego'' (Gibb, 1990) may distort the picture presented by entrepreneurs. Focus groups offer the possibility of a shift in the power balance from the researcher to entrepreneurs, which may reduce this effect. They are particularly useful for learning about participants' conceptualisations of particular phenomena and the language they use to describe them (Stewart and Shamdasani, 1990), a particular objective of this research. Participants may be more candid because of the psychological security derived from group membership and the realization that what they say is not necessarily identified with them (Hess, 1968).

This is in line with the comments of Blackburn and Stokes (2000) who stipulate that in-depth interviews and surveys may suffer from the same inherent flaw, in that business owners may try to give an 'expected' answer rather than an accurate picture of themselves or of their businesses. They suggest that such difficulties can potentially be overcome through the use of a focus group approach because participants may feel more comfortable about sharing their feelings and experiences within a group of peers.

Kitzinger (1994) defines focus groups as group discussions organised to explore a people's views and experiences on a specific set of issues. Morgan (1988) explains that what distinguishes the focus group technique from others, is the explicit use of group interaction to produce data and insights that would be less accessible without the interaction found in a group. He further explains that focus groups are useful when it comes to investigating *what* participants think but they excel at uncovering *why* participants think as they do. This is because not only participants articulate their views about a particular topic, they also explain to group members the reason as to why they hold these views.

The purpose of the focus group interviews was to engage SMEs in dynamic conversation about identifying their views on the personal or environmental barriers impending on the success of their enterprises. It also aimed at obtaining possible ideas or solutions to improve the understanding of the market in which SMEs operate and the type of marketing activities used. The focus groups findings were also used as a preliminary stage in a larger research program that includes a larger, more representative survey of the population and as a means for adding insight to the results obtained from a survey.

6.1.3.1 Issues discussed in Focus groups

To facilitate the collection of the data from the discussion in the focus groups, an interview guide was also designed (refer to appendix?). It was organised around various themes namely; the opportunities and challenges faced by Mauritian SMEs; the impact of globalisation on SMEs; the role of marketing in business planning; the importance of marketing planning and market research for SMEs; SMEs' competitiveness in the local market; the role of advertising and promotion in the success of SMEs; the role of Technology in the development of SMEs; the inherent difficulties faced by SMEs for product differentiation; the future of SMEs in view of increasing competition; strategies put in place to face competition from imports; assistance from the government to find new markets; a clustering strategy; networking; joint venture among SMEs; the major growth sectors and; the future of SMEs in other sectors.

6.1.3.2 Focus groups: Determining the sample design

Defining the population

The defined target population for the focus groups has been again defined as all the SMEs in Mauritius. In this respect information of the list of companies to be contacted was again obtained from the SME directory for the year 2004/2005

Sample selection and size

Two focus groups of 10 participants each were planned. Convenience sampling was used to invite participants. The participants were owners/managers of SMEs.

Specifying the sampling plan

The sampling plan involved the specification of how each of the decisions made so far were to be implemented. In order to get the maximum number of participants, the following steps have been followed:

1. Sending an invitation letter to executives of the 30 companies requesting if they are interested to participate in the focus group.
2. The executives replied via electronic mail and telephone.
3. All the confirmed participants were sent a confirmation letter specifying the exact date and time for their participation. Follow-up was also made via the telephone and/or electronic mail.

By following this plan, 13 SME operators participated in the focus groups (9 in group one and 4 in group two), which represents a response rate of 65.00%.

6.1.3.3 Execution of the project

The two focus groups were conducted in Room 2.14, New Academic Complex, Faculty of Law & Management, University of Mauritius on the following dates:

1. **11th November 2005** between 16:30 – 17:30;
2. **24th November 2005** between 16:30 – 17:30.

6.1.3.4 The Focus Groups

The lengthy period of discussion in a focus group was needed to establish rapport with the respondents, to get them to relax and in the right frame of mind, and to explore in depth their beliefs, feelings, ideas, attitudes and insights regarding the topics identified above.

Using the moderator's guide, the first topic area was introduced to participants. As the discussion began to unfold, the moderator used probing techniques to gain as many details as possible. In addition, to the moderator the research assistant was appointed to take note of all the discussions that emerged in the focus groups. Focus group discussions were invariably recorded using audiotape for subsequent replay, transcription and analysis.

6.2 Section 2: Descriptive research

A cross-sectional descriptive research method was also used for this research. While studies argued that a descriptive study is simply a fact-gathering expedition, Ferber, Blankertz and Hollander (1984) insisted that it is the glue of explanation and understanding, and also the framework of theory. The survey research method, which is a branch of the descriptive research, was used for obtaining information from respondents by asking a variety of questions. After a pertinent review of both the literature and the series of exploratory interviews described above, and meetings with several people working in the academic field, a questionnaire was formulated.

6.2.1 The instrument

The questionnaire was intended to solicit the views and perceptions of small and medium-sized firms on different marketing, entrepreneurial and internationalisation issues. It consisted of nine main sections and a total of 42 questions, of which, all were fixed-response alternative questions except question 11 from Section I -the demographic section-, which was open-ended. The setting up of fixed-response alternative questions required respondents to choose from a set of predetermined answers, entailing several advantages consequently. For instance, the questionnaire was simple to administer; the data obtained were consistent because the responses were limited to the alternatives stated, which in turn, resulted in a relatively simple coding, analysis and interpretation of the dataset (Malhotra and Birks, 2003). For ease of convenience, the questionnaire was set in both English and French.

6.2.1.1 The use of itemised rating scales

Respondents were provided with a scale that has a number and a brief description associated with each category. The categories were ordered in terms of scale position and respondents were required to select the specified category that best described the object being rated. Likert scales, which are well-known itemised rating scales were used.

- Five-Likert scales

A five-point Likert scales were used for all questions- with the exception of question 11 from Section I- because they are the most effective way of capturing opinions and feelings. McIver and Carmines (1981) describe the Likert scale as a set of items, composed of approximately an equal number of favorable and unfavorable statements concerning the attitude object, is given to a group of subjects. Nunnally and Bernstein (1994) among others[197] have given several reasons for using such attribute namely: individual items have considerable random measurement error, i.e. are unreliable[198]; an individual item can only categorize people into a relatively small number of groups[199] and; individual items lack scope[200]. Like many research studies, the questionnaire also included a middle response option in the scale. The middle answer offers a comfortable response for subjects who have legitimately divided or neutral opinions.

6.2.1.2 Description of the questionnaire

Below is an explanation of the different sections and questions of the questionnaire.

Section A asks a series of three questions whose answers will be used to construct a "snapshot" of the different **approaches to marketing** in the small business sector.

Question 1: Marketing competencies of SMEs

The importance of marketing competencies reside within the notion that one of the major factors contributing to business success, is the extent to which marketing is understood and applied within businesses. Question 1 hence relates to the level of importance Mauritian SMEs attach to various broad marketing competencies (35 statement items in all).

[197] McIver and Carmines (1981), and Spector (1992).

[198] The authors state that measurement error averages out when individual scores are summed to obtain a total score.

[199] For example, with a dichotomously scored item one can only distinguish between two levels of the attribute, i.e. they lack precision.

[200] McIver and Carmines (1981) say, “It is very unlikely that a single item can fully represent a complex theoretical concept or any specific attribute for that matter”.

Question 2: SMEs' current business philosophy

While the first objective of the project was to identify which marketing competencies entrepreneurs value the most, the second objective was to identify the current philosophy of SME respondents.

Question 3: Concepts in marketing

The objective of question 3 is to identify which marketing logic (the different marketing philosophies) is mostly adopted by Mauritian SMEs.

Section B of the questionnaire is intended to provide valuable insight into the **marketing competitiveness** of local small firms. It comprises of 4 questions.

Question 4: Globalisation And Competitiveness Of SMEs

Data for this question were collected to examine the impact of the globalisation process on the different marketing issues pertaining to Mauritian SMEs.

Question 5: Mauritian small firms' adaptability to globalisation

Question 5 provides a more in-depth description of the different type of adjustment strategy that Mauritian small firms have devised in response to globalisation. Data were collected hence to identify the different strategies of local small firms.

Question 6: The degree of future adaptation of SMEs to their turbulent environment

Question 6 examines the future levels of adaptation that Mauritian SMEs intend to carry in relation to key business aspects of the business. Respondents were hence asked to rate the degree to which adaptation is a necessary criterion with regards to the future growth of their company.

Question 7: Company performance

Performance is measured relative to major competitors that enabled control of performance differences caused by differences among industries and served markets. For the analysis of performance, eight measures have been used: two financial (return on investment and profit), five market-based (sales volume, market share, customer satisfaction and customer loyalty and brand awareness) and one survival-based (cash flow).

Section C of the questionnaire evaluates the **strategic orientation** of Mauritian SME and is made of 2 questions: question 8 and question 9.

Question 8: Strategic orientation of SMEs

Question 8 focuses on the way Mauritian SMEs devise or implement their strategy and was based on Venkatraman's (1989) STROBE scale. Respondents were thus required to identify the extent to which they tend to agree or disagree with the 48 statements of question 8 which mainly reflect their overall business strategy.

Question 9: International focus of SME

The objective of Question 9 is to examine the extent to which Mauritian SMEs have allocated their resources to the local and foreign markets over the past five years.

Section D labeled **Entrepreneur characteristics & Entrepreneurial orientation** consists of three questions.

Question 10: Entrepreneurial traits

Question 10 measures the entrepreneurship phenomenon through the characteristics of individual entrepreneurs. As such, respondents were asked to rate the extent to which different personality traits contribute to their firm's success.

Question 11: Local SMEs' Self-efficacy levels

Question 11 has been partly based on the Entrepreneurial Self Efficacy (ESE) construct developed by Chen et al (1998) to capture the extent to which SME respondents believe they are capable of performing the tasks associated to their business environment. As such, respondents were asked to rate the degree of certainty in their ability to carry out 24 tasks relating to various aspects namely: innovation, financial management, marketing, risk-taking and general management.

Question 12: Business and personal objectives of SMEs

Question 12 seeks to measure the degree of importance attached to various business and personal objectives of entrepreneurs through a battery of 21 statements that were derived from the literature.

Section E consists of only one question**,** organised around the **networking** theme.

Question 13: Reliance over Networking

The role of networking in determining the success of SMEs has been emphasized in both the literature and the qualitative research findings. For example, Gilmore et al. (2001) argued that SME marketing in practice is thought to be largely done through networking or a combination of transaction, relationship, interaction and network marketing (Brodie et al., 1997). Following this line of thought, respondents were asked to indicate the extent to which they rely on local or international networking for their marketing activities.

Section F, labeled **SMEs in Mauritius**, relates to the different issues facing small and medium-sized businesses in Mauritius.

Question 14: SMEs and specific marketing issues

The findings from the focus group and in-depth interviews were used as the basis for designing the 28 attitude statements of question 14, which dealt with specific marketing issues of relevance to small enterprises.

Section G, which encompasses the **overall views of SMEs**, includes 7 questions relating to market orientation, customer loyalty, customer satisfaction, marketing competitiveness, performance, strategic orientation and the respondents' perception of the future of SMEs in Mauritius. This section will be used to perform ANOVA-tests.

Section H, named the internationalisation section, encompasses 10 questions and was organised around various issues namely; the international orientation of SME owners, their market entry strategies, the motives toward internationalisation, the initial difficulties faced in such endeavour, the types of information needed, the quality of the information received, the usefulness of such information, their internationalisation strategies, their performance on international markets and reasons towards internationalisation rejection.

Question 22: The International orientation of owner-managers of SMEs

Question 22 relates to the international experience and orientation of Mauritian owner-managers as antecedents to, and drivers of, SME internationalization. It asks respondents to rate the degree of importance attached by the strategic leader to a range of factors.

Question 23: Market entry strategies

Question 23 examines the entry strategy selection of Mauritian SMEs in the context of internationalisation. Entry strategy was, hence, measured by asking respondents to indicate the frequency with which international strategies were used.

Question 24: Motives towards internationalization

The question at hand seeks to identify the various motives (15 in all) for the internationalisation of Mauritian SMEs. Respondents were accordingly asked to indicate the extent to which these motives have driven them towards the adoption of the strategies mentioned in Question 23.

Question 25:Intensity of initial difficulties faced by SMEs when internationalizing their activities

Question 25 considers the major difficulties SMEs perceive to be obstacles to the internationalisation process in general, and to export activities in particular. This survey questionnaire covered 51 possible individual difficulties grouped into eight separate categories.

Question 26: Types of information required with regards to internationalisation

Question 26 was formulated to give an insight as to the kind of information that Mauritian entrepreneurs value in relation to their international activities.

Question 27: Quality of market information

The quality of financial information conveyed to internationalising SMEs is essential when taking decisions with respect to international markets. As such, question 27 explores the respondents' views on the extent and quality of information available to them on financial risk, economic and political conditions, transfer risk, buyer behaviour, exchange rate fluctuation, forward exchange contracts and support from the government.

Question 28: Usefulness of information with regards to internationalisation

The present question assesses the perception of Mauritian SMEs as to the usefulness of the different sources of information as an aid to internationalisation.

Question 29: Internationalisation strategies

Question 29 relates to the degree with which local entrepreneurs undertake Solberg's (2002) different internationalisation strategies when going international. Solberg (2002) contended that the most important obstacle to internationalisation for a small firm is its lack of knowledge and resources. In an international setting, where the market pressures are likely to differ from those of the domestic context, this becomes an apparent capability constraint. These obstacles can however be reduced through incremental decision making and learning about the foreign markets and operations.

Question 30: Internationalisation performance

The survey also evaluated the performance of Mauritian SMEs in international markets.

Question 31: Reasons towards internationalisation rejection

After analysing the different drivers and motives of internationalization of internationalisation, it may be very interesting to investigate the reasons as to why non-internationalised SMEs abstain from internationalisation. Question 31 hence relates to the different impediments to Mauritian SMEs' internationalisation.

Section I The Demographic section

The demographic section includes 11 items: gender, age, level of education, ethnic group, job title, number of years working for the company, type of industry, company age, company size, organizational form and the revenue section.

6.2.2 Sampling design

Population

The population of this study is defined as owners of Small & Medium Entreprises in Mauritius as explained in section 5.1.1.2[201]. The database held by the SEHDA on registered SMEs 2004-2005 was used as a sample frame. The stratified sampling method, a probability sampling method, has been used in this study. Businesses are listed according to sectors in the sample frame, hence, the sectors have been used to define the strata. The sample did not include SMEs from the service sector.

[201] At the time the study was carried, the African Economic Outlook (2005) stipulated that there were 77 000 SMEs in Mauritius.

Sample Selection & Size

The following table explains how the sample has been broken down into the different sectors.

Sectors	**Population**	Sample
Food & Beverage	213	112
Leather & Garments	154	81
Wood & Furniture	198	104
Paper Products & Printing	94	49
Chemical, Rubber & Plastic	82	43
Jewellery & related items+ Potter& Ceramic[202]	77	41
Fabricated Metal Products	169	89
Others	153	81
Total	**1140**	600

6.2.3 Survey administration

Among the three major modes that exist for the administration of survey questionnaires, personal interviews was chosen as the most appropriate method because they have the advantage of being able to clarify questions and focus answers but are prone to interview bias and are more expensive to implement.

Pilot testing

The 30-page questionnaire consisting of 42 questions was pre-tested with ten SME owners to identify any errors or omissions. Minor wording and format changes were made on the basis of the pre-test results.

6.2.4 Data collection

A cover letter was sent to registered members of the SEHDA to explain the purpose of the study and invite them to participate in the survey. Those who were interested replied via electronic

[202] The Potter & Ceramic sector was combined with that of Jewellery & related items.

mail and telephone; a meeting was afterwards arranged between them and the fieldworkers on a day convenient to both of them. Interviews lasted approximately 1 hour and respondents were assured that all the information would be treated with strict confidentiality.

20 fieldworkers were used for the purpose of this study; these interviewers were trained to administer the questionnaire in an effective manner and to avoid interviewer bias. The survey data collection started in the month of X and ended in that of August 2006

6.2.5 Editing

Errors and omissions do occur when data are collected. Editing ensured that the quality of raw data collected was in line with the standards set. In addition, the editing for each questionnaire was done practically just after the data for that questionnaire was collected so as to ensure reliability of the response.

6.2.6 Coding

The answers to questions asked through the questionnaire were coded using SPSS 13.0 as analytical software. For multiple choice questions and attitude measurement questions, numbers have been assigned to the answers so that the interviewer can input them in SPSS. But, for open-ended questions, answers had to be grouped together first, and then numbers could be assigned to them.

6.2.7 Analysis

First, the data were cleaned and overall frequencies were examined. Second, simple descriptive statistics were performed. Third, factor analysis, which is a multivariate data analysis technique widely, adopted in marketing research, will be used. Factor analysis is a statistical approach used to analyse interrelationships among a large number of variables and to explain these variables in terms of their common underlying dimensions (factors). The objective is to find a way of condensing the information contained in a number of original variables into a smaller set of variates (factors) with a minimal loss of information. In factor analysis, the factors are formed to maximize their explanation of the entire variable set.

Moreover, analysis of Variance, which is an important technique for analyzing the effect of categorical factors, will also be performed. An ANOVA decomposes the variability in the response variable amongst the different factors; its purpose as is, is to test for significant differences between means.

6.2.8 Generalisation and interpretation

Generalisation and interpretation of the analysed data provide the researcher with the final inferences that can be made from the data collected through the interpretation of the findings.

6.2.9 Preparation of the report

The final step in the research process was the write up of the report.

6.3 Limitations of the study

- Securing an appointment with SMEs owner managers turned out to be a time-consuming process; with their agreement or commitment to be interviewed being more often than not problematic.

- The main noteworthy difficulty that came up was recalcitrant respondents.

- The main limitation of the focus group can be expressed in the limited time that was available to probe all the respondents. As common in almost all group discussions, not all the participants would talk freely. Some participants did not participate fully in the discussions though the moderator tried to probe every participant in each group.

- The SME directory for 2004/2005 which contained the address, along with the telephone number and the name of the SME owner were not up-to-date. As such, the problems encountered were that very often the telephone numbers were not in service or the targeted SME was already closed for years.

Furthermore, there was a sampling gap due to the under-registration of the eligible sampling units because the list did not include newly registered members of the SEHDA.[203]

Lastly, members registered with the SEHDA are those operating in the manufacturing sector only. Hence, the findings of the present study cannot be generalised to the SME sector as a whole because SMEs in the service sector has not been considered.

[203] They were already registered at the time the study was carried out.

Chapter 7

Findings and Discussions

7.0 Introduction

Following the review of the different concepts in existing literature on SMEs, marketing, strategy and globalisation and the findings of the indepth interviews, focus groups and survey, this chapter integrates the various findings and discusses strategies which SMEs must adopt to go global.

7.1 Part 1: In-depth interview Findings

Given the world wide predominance of SMEs, it can be argued that there is an urgent need to understand entrepreneurship within the context of marketing, and marketing within the context of entrepreneurship, in order to fully understand the marketing challenges and opportunities facing SMEs as a result of globalisation (Day, 2000). The term entrepreneur is often used, with a strong positive connotation, to describe anyone who owns and runs a small business. The entrepreneur attempts to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity, and through the communicative and management skills to mobilise human, financial and material resources necessary to bring a project to fruitful completion.

In this process, the marketing function is not always well understood, particularly in Mauritius, where limited number of studies has focused on marketing aspects. World wide it is recognised that entrepreneurial marketing is different from conventional marketing on three aspects: marketing as a culture in the small firm, marketing as a strategy, and marketing as tactics. As part of this study, a series of in-depth interviews were conducted to understand the perceptions of entrepreneurs on the three aspects mentioned above. Below are outlined the findings that are predominantly qualitative in nature.

7.1.1 Sample characteristics

The discussion of the findings will begin with a description of the sample characteristics. As shown in Table 7.1.1 below, the majority of respondents were from the following sectors: Agro-Alimentary (22.5%), Furniture (12.9%) and Jewellery (22.5%). These firms employed on average 17 employees and have been in operation on average for the last 19 years.

Sector/Company Main Product Lines	No. of Companies
Dental Equipments	1
Clothing/Textiles	1
Agro-Alimentary/Food/Beverages	7
Light Metal	1
Printing	2
Bags/Shoes Manufacturing	2
Handicrafts/Glassware	2
Machinery/Equipment	1
Furniture	4
House Deco	1
Fencing	1
Jewellery	7
Services	1

Table 7.1.1: In-depth interview findings: Main Product Lines of SME participants

7.1.2 Research findings

The majority (90.3%) of respondents interviewed were owners of their enterprise. Of these entrepreneurs, 68% sold their product lines on the local market only, while the rest (32%) was involved in exporting their products to the SADEC region. In terms of what they perceived as being the strengths and weaknesses of their business, **Table 7.1.2** below show that quality of products (31%), reputation of the company/owner (20.6%), reliability of delivery (10.3%), creativity/innovation of products (13.7%) and high skilled workers (13.7%) are the major strengths. In terms of weaknesses, employees' absenteeism (37.9%), availability of finance (17.2%), and size of the business (10.3%) itself were perceived to be major barriers to growth.

Strengths of Business	% of respondents	Weaknesses of Business	% of respondents
Quality of Products	31.0	Outdated Technology	3.4
Innovation/Creativity of Products	13.7	Quality of Product	3.4
Highly Skilled Workers	13.7	Employees Absenteeism	37.9
After Sales Service	6.8	Business Size	13.7
Bulk Selling	3.4	Availability of Finance	17.2
Brand Name	3.4	Training	6.8
Company/Owner Reputation	20.6	Access to Distribution Channel	6.8
Reliability of Delivery	10.3	Inability to Face Competition	6.8
Relationship with Customers	3.4		
Price/Value for Money	6.8		
Communication with Customers	3.4		
Location of Company	3.4		

Table 7.1.2: In-depth interview findings: Main Perceived Strengths and Weaknesses of SME participants

It is often assumed that SMEs tend to operate using the product concept, whereby they develop products first and then search for markets. Conventional marketing suggests that identification of market opportunities should be first and then the product developed according to customers' specifications. Of respondents, 51.7% were of the opinion that their companies follow the product concept while 27.5% believed they adopted the marketing orientation and the rest (20.8%) followed both concepts. As one interviewee suggested '…we were choosing for our clientele, the colours and fashion for the T-Shirts, now it's the other way round, the clients come forward with suggestions about colours and models…it's imperative we follow the market trend'. However, the choice of a marketing orientation or a product orientation varies from sector as respondents commented '…in the furniture sector, we look for customers' first, and we produce according to their specification', while in agro-alimentary 'we come up with new products and look for potential buyers…it's always been like that'. In terms of the sources of information that they rely on to assess market opportunities, 27.5% relied on customers' comments and suggestions, 10.3% on suppliers/distributors, 24.1% on Internet, 13.7% on Media/Trade Reports/Chamber of Commerce, 3.4% on SMIDO, 6.8% on sales people, and only 3.4% on their own market surveys.

7.1.2.1 Marketing planning and Mauritian SMEs

The importance of the marketing planning for SMEs has been researched by Hill and McGowan (1999) with an overwhelming conclusion that in the USA and the UK, business owners viewed marketing decision-making techniques to be of little value in their efforts to manage their enterprises. A similar conclusion can be drawn for Mauritius based on qualitative research only where the majority of respondents (93.1%) stated that there is no marketing planning whatsoever in their organisation. At best, marketing planning centred on managing and adjusting the 4P's to comply with market requirements. Yet, the respondents appear to acknowledge planning as being essential to the future prospects of their enterprise A review of respondents verbatim comments tend to suggest that there is a confusion on the part of entrepreneurs between marketing strategy and tactics. The marketing mix is often confused with the marketing strategy of the business. Indeed, 82.7% of interviewees do not prepare a marketing plan for new products/services while the rest does it on an ad-hoc basis. Similarly, there is much confusion between the selling concept and marketing concept, where the former is perceived to be the end goal of marketing, that is, sales. Of those (17.3%) who did some marketing planning, the latter was done mostly on either a monthly or yearly basis.

The owner in most of the cases was responsible for the marketing function in the organisation. Pricing seems to be the element of the marketing mix, which retains most of their time and concern. There are differing views across sectors on the importance of the marketing mix. No doubt that the product itself tend to be a major driver of pricing and promotion policies. As would be expected, SMEs make limited use of above the line media to advertise, they rely predominantly on word of mouth. They tend to favour listings in the telephone directory, and adverts in specialised magazines to create awareness of their product lines. In fact, there are rarely (3.4% of respondents) marketing objectives attached to changes made in the marketing mix elements. This quote from one of the interviews is suggestive of a recurrent theme '…we look at the price policy because of the cost of raw materials…we introduce products to attract customers…as for advertising we do it now and then'. This is perhaps the result of isolating the marketing function from the operations of the business. When asked about the role of other departments besides marketing that adheres to the philosophy of putting customers' first, 51.7% of respondents said that other departments do not work in synchronisation with marketing, while the remainder clearly acknowledges the importance of functional co-ordination across departments to satisfy the consumer. Only 24.1% agreed that other departments within their firm are sensitive and responsive to marketing needs. This is common occurrence among SMEs where the prevailing organisational structures are divided along functional lines to facilitate operations (Hill, 1999). This hinders the creation of an internal culture, which is market oriented.

7.1.2.2 Customer orientation

Customer orientation is part of the broader market orientation of an organisation. The extent of market orientation is based on the ability of the firm to focus on the primacy of customer needs. It is suggested that such an orientation should determine the policies of a firm (Kholi and Jawroski, 1990; Narver and Slater, 1992). The concept is based on the organisational culture that creates the most effective behaviours for the creation of superior value for consumers and thus superior performance for the firm. It is believed that market orientation has a positive impact on product quality, new product success, and profitability. Customer orientation is critical for SMEs to enhance their financial performance (Mankelow and Merrilees, 2001). Interviewees were asked to describe the strategies in place in their organisation to understand the current and future needs of their customers. By far, asking current customers about their views and opinions on current product lines and future needs seemed to be how SMEs gathered market related information on their customers, as shown in **Table 7.1.3**.

Strategies to Understand Customer Needs	% of Respondents
WOM from Current Customers	40
Attending Conferences	3.4
Market Research	6.8
No Current Strategy	24.1
Media	6.8
Networking	3.4
Suppliers/Retailers	13.8

Table 7.1.3: In-depth interview findings: Strategies to Understand Customer Needs

It should be noted that 24.1% of interviewees mentioned that they had no strategies in place to monitor changes in customer needs. This is supported by the fact that only 6.8% of respondents use market research as a tool to understand the evolving market place. On a similar note, 67.7% of entrepreneurs admit of having no formal monitoring of the market, which hampers their ability to fine tune marketing programmes and to correctly identify new market opportunities or the looming threats of changing customer needs and preferences. These represent unique challenges in achieving growth while also maintaining control of the business.

When asked about what the firm does to attract and retain customers, a significant number of interviewees (31.3%) mentioned that the quality of products was a major factor for customer attraction and retention. Word of mouth (20.7%), quality of service (20.7%), price/value for money (17.2%) and after sales service (17.2%) were other factors that contributed to maintaining profitable relationships with customers, as shown in **Table 7.1.4**. The findings suggest that the concept of relationship marketing seems to be well entrenched in SMEs in Mauritius.

Techniques used to attract and retain customers	**% of Respondents**
Word of Mouth	20.7
Rapidity and Quality of Service	20.7
Price/Value for Money	17.2
Customised Products	10.3
After Sales Service	17.2
Customer Satisfaction	10.3
Advertising	3.4
Sales Promotion	13.8
Personal Relationships with Clients	10.3
Quality of Products	31.3
On-time Delivery	6.8
Credit Facilities	6.8
Innovative Products	3.4

Table 7.1.4: In-depth interview findings: Techniques used to attract and retain customers

Porter (1980) suggested that there were four generic business level strategies. He argued that a firm could carry out either the overall cost leadership or the differentiation strategy broadly, by targeting a large market, or more narrowly, by targeting a particular segment of the market. He referred to the targeting of a narrow segment of the market as a focus strategy. The choice of a generic strategy imbues all marketing activity. Of interviewees, 31% mentioned that they pursued a low cost strategy primarily to provide affordable products to their target markets. A differentiation strategy focusing on quality was pursued by 32%, and the rest of respondents mentioned that they followed both depending on the market requirements. As one interviewee said '…we don't believe in low cost, we are not a cost leader, we don't want to become one either…we want to remain a highly customised niche player.' Well another respondent said ' we pursue both strategies, products are of good quality at low prices'. There seems to be a general belief that the Porter's generic strategies are mutually exclusive, well in fact they are not.

7.1.2.3 Innovation orientation

A market orientation is also based on ability to innovate in terms of products/services and production processes. Weerawardena (2003) is of the opinion that the innovation orientation of SMEs enables them to achieve competitive advantage. However, the latter is developed through distinctive capabilities possessed by the firm, and the firm must constantly reinvest to maintain and expand exiting capabilities in order to inhibit imitability (Mahoney, 1995). One of these capabilities is the marketing capability of the firm, which is limited for SMEs in Mauritius. The marketing capability contributes to commercial success of the products and services marketed by the firm (Day, 1994; O'Driscoll et al., 2000; Hoody et al., 1999). It is reflected in the ability of the firm to differentiate products/services from competitors and build successful brands that enable them to charge premium prices. These seem to be major stumbling blocks for small firms as they are not always able to differentiate their products. A firm's innovation orientation can also be gauged by their ability to conceived new ways to conduct activities in the value chain for delivering superior customer value.

The majority of entrepreneurs (90.3%) mentioned that they have either modified or introduced new products in the last few years. They believed that product innovation was a significant source of growth for the company. However only 65.5% said that they brought innovation in their production processes in the last few years. Ability to innovate is believed to be hampered by adequate facilities for capital borrowing and bureaucracy to access finance. Entrepreneurs (68.9%) also believed that their products/services were differentiated from those of competitors and innovation capability allows them to sustain differentiation in the market place. Yet, the success of new products is measured mainly in terms of the amount of additional sales it generates for the company, as mentioned by 37.9% of interviews. Financial measures of the extent of success of new products also included, amount of additional profits (10.3%), number of renew orders (20.6%), and feedback from suppliers (3.4%). It should be noted that financial measures override marketing measures such as customer satisfaction, customer loyalty, and positive word of mouth in the assessment of success of new products.

7.1.2.4 Competitor orientation

Ability to compete is dependent on SMEs understanding of how competitors influence the market through their strategies, which requires some form of monitoring of competitors activities. Most of the interviewees (79.3%) sated that they had no formal monitoring in place, informally they gathered competitor information from customers or suppliers/retailers. Of the entrepreneurs interviewed, 55.1% were of the opinion that they have been able to gain market share vis-à-vis competitors in the last few years, 27.5% believed they have not been able to gain additional market share and the rest (17.4%) said they had lost market share.

When asked what they believed were their strengths compared to competitors, again quality of products (37.9%), skilled workers (13.7%), and innovative products (17.2%) were the most common responses of respondents, as shown in **Table 7.1.5**. They strongly believed that they were market leaders in their product category as 82.7% of them mentioned that they did everything better than competitors when asked the question 'what does your competitors do better than you'. A few exceptions were responses such as ' they copy/imitate our products, they have better technology, they offer credit facilities and we don't.'

Strengths Compared to Competitors	% of Respondents
Better Quality	37.9
Competitive Price	13.8
Better Technology	6.8
Better Distribution Channel	3.4
Innovative Products	17.2
Up to Date Production Process	6.8
Reputation of Company/Owner	10.3
Better After Sales Service	6.8
Better Skilled Workers	13.7
Years of Experience	6.8
Brand Name	3.4

Table 7.1.5: In-depth interview findings: SMEs Perceived Strengths Compared to Competitors

There is a strong belief that improving competitive position over time is an indication of success in the market place. Interviewees were asked to suggest how they could improve their business position vis-à-vis competitors. **Table 7.1.6** shows that 20.6% of entrepreneurs believe that creativity and innovation will improve their competitive position, while 13.7% believe its better service. The span of responses indicates that the issues faced by local entrepreneurs tend to be concentrated in the areas of use of technology, customer relationship management, business and marketing strategy, and finance.

Factors that Contributes to Improving Business Position	% of Respondents
Relationships with Customers	6.8
Creativity & Innovation	20.6
Access to Finance	6.8
Greater Brand Awareness	3.4
Diversification	6.8
Better Service Delivery	13.7
More Aggressive Marketing	6.8
Appealing Store Décor	3.4
Improve Quality of Products	10.3
More Investment	6.8

Table 7.1.6: In-depth interview findings: Factors that will Improve SMEs Competitiveness

7.1.2.5 Networking

Intensive research has been carried out on the role of networks and networking capabilities of entrepreneurs in promoting firm innovation. In particular SMEs rely heavily on external knowledge networks as an input to innovation than large firms (O'Donnell, 2004). Networking is an activity in which the SME owners build and manage personal relationships with particular individuals in their surrounding (Carson et al., 1995). Networking varies according to the individual owner/manager and according to the person with whom the interaction takes place. O'Donnell (2004) suggests that factors such as level of networking, networking proactivity, and strength of network ties influence business growth. McGowan and Rocks (1995) found that small business owners usually operationalised their networks in a subconscious manner and is largely unstructured and coincidental in nature.

The role played by networking in gathering market information is significant for SMEs in Mauritius. While only 37.9% of interviews do not rely on contacts to understand the market place better, the rest stressed that it is a major form of market research that is less costly. Of those who use networks, 40% relied exclusively on local networks, 15% on international networks, and the rest (45%) on both local and international contacts. Networking allows them to develop new products (17.2%), improve production processes (10.3%), acquire the latest technology (3.4%), improve current products (10.3%), and to identify market opportunities (6.8%). Similar to previous studies, entrepreneurs use network in a subconscious manner in Mauritius.

7.1.2.6 Business performance

The performance of an SME, and more specifically, the marketing performance is dependent on factors such as current marketing implementation process, that is, business philosophy, strategic analysis, marketing objectives, marketing strategies, marketing organisation and control as well as the role of marketing in determining company performance (Siu, 2000). Companies giving a higher priority to marketing than the other business functions tend to perform better. In terms of the reported business performance for SMEs in Mauritius, 62.1% of entrepreneurs said that their company profit has increased, 24.1% maintained that profits stayed the same, and 13.8% said that profit has decreased compared to their last financial year. In terms of the number of customers, 51.7% mentioned it has increased, 34.5% said it has stayed the same, and the rest were of the opinion that profits has decreased compared to last year. In addition, interviewees were asked about the perceived growth opportunities in the sector they were operating, 55.1% argued that given the current state of the Mauritian economy, there was no growth opportunities, 17.2% said growth opportunities were limited, while 27.7% were of the opinion that there are good growth opportunities especially if they were to focus on exporting their products.

7.1.2.7 Entrepreneurial characteristics

The personality of an entrepreneur has been proven to be a significant factor that affects the growth, profitability, and management capability of an SME. The following traits are described as being essential for the success of an entrepreneur. **Table VII** shows that being a hard worker (27.5%), creative and innovative (24.1%), reliable (20.7%), honest (20.7%) and displaying good leadership abilities (17.3%) are believed to be essential traits of an entrepreneur.

Personality Traits of Entrepreneurs	% of Respondents
Perseverance	3.4
Patience	3.4
Open-minded/Curious	10.3
Networking Capabilities	10.3
Delegation	3.4
Leadership	17.3
Honest	20.7
Optimist	10.3
Hard worker	27.5
Creative/innovative	24.1
Self Confidence	10.3
Knowledgeable	13.8
Reliable	20.7
Ability to take risks	3.4
Negotiating Capabilities	3.4
Dynamic	3.4
Intuitive	3.4

Table 7.1.7: In-depth interview findings: Personality Traits of Entrepreneurs

When asked about the importance of being a risk taker and taking above average risks for their ventures, 89.6% of entrepreneurs are of the opinion that they have to take calculated risks rather than above average risks. This is because misjudging the level of risk associated with a venture can have disastrous consequences for their business. They believe that large organisations are in a better position to take risks as they can have access to larger amounts of capital that can be securely invested. Their inability to correctly assess market opportunities hampers their belief in the concept of greater risks, greater returns. Nevertheless, 82.7% of interviewees are adamant that SMEs have to be flexible and adapt to market conditions. Only one respondent mentioned that it is not a requirement in their particular sector of operations while the rest (4 respondents) suggested that flexibility is more important for products than adaptation to market requirements.

It has been proven that intuition is often an asset for the entrepreneur in screening market opportunities and predicting threats. Surprisingly only 58.6% of interviewees rely on intuition to make decisions with regards to new ventures and new products. The rest are of the opinion that in the past they have failed, when they relied too much on intuition. Assessing facts rather than feelings are believed to be more important, as investment capital lost due to wrong decisions with regards to new product development can have negative impacts on survival of their business. In order to manage their enterprise successfully, interviewees were asked areas where they felt their skills were not adequate and influence their ability to make sound decisions. The responses were as follows: 24.1% needed training in Accounting and Finance, 24.1% in IT, 17.2% in Marketing, 3.4% in HR, 3.4% in Economics, 3.4% in Law and Legal Requirements, 3.4% in Customer Care, 3.4% in Assertiveness and Negotiation.

7.1.2.8 Internationalisation

Globalisation is having far reaching positive and negative impacts on SMEs in general. Of entrepreneurs, 65.5% believe that globalisation has an impact on their business in terms of competitiveness, access to markets, cost of raw materials, availability of up to date technology, networking and pricing of products on international markets. The opportunities to diversify into exporting as a result of globalisation are perceived in a positive light only by 37.9% of interviewees, the rest prefers to focus on the domestic market as opposed to exporting. They also perceive that their firm is equipped to face increasing competition from local and foreign companies but they must get adequate support from authorities concerned in terms of access to lending facilities. Opinions are divided on the issue of support from Government and ex-SMIDO, 27.5% believe that the Government is providing the necessary support and enabling SMEs to develop and flourish, 24.1% believe that ex-SMIDO is of no help, 17.3% felt that ex-SMIDO has helped them to start their venture and provided the adequate support, and the remainder believed that both institutions provided some help but it must be more structured and adapted to the requirements of specific sectors as opposed to offering generic services. The facilities and services that need upgrade include, organisation of trade fairs, market research, setting up industrial parks, financial assistance, and sector specific training.

The concept of clustering that has been the focus of intense debate among stakeholders in their quest to help SMEs growth is viewed positively by 37.9% of entrepreneurs, 37.9% are of the opinion it will not work because the necessary infrastructures and support are not available, the rest (24.1%) have mixed feelings about the concept. The success of clustering is dependent on entrepreneurs willing to share skills and knowledge in targeting new markets. Of interviewees, only 55.1% are willing to engage in any form of cooperation, local or overseas based, to capture new markets. The rest prefers to capitalise on opportunities alone as they feel they cannot trust others, share trade secrets, or do not have the necessary finance to invest.

On a concluding note, when asked about the future of SMEs, 34.5% of entrepreneurs are optimistic, 24.1% perceived the future to be limited in opportunities for growth, 31.3% said the future is bleak and the rest preferred not to comment.

7.1.3 Summary of In-depth interview findings

Marketing planning is non existent or done on an adhoc basis in Mauritian SMEs. There are perceived operational difficulties in marketing planning, but entrepreneurs recognise the importance and value of planning in developing and growing an enterprise. There seems to be an inability to project into the future the consequences of present actions and to think strategically about these.

7.2 Part 2: Focus Group Findings

Below is a summary of the findings from the two focus groups held with Mauritian entrepreneurs.

7.2.1 Major challenges/opportunities facing SMEs in Mauritius

7.2.1.1. Size of local market

The size of the local market, which restricts ability to increase production to achieve economies of scale. Consequently, exporting should be the priority and adequate facilities should be provided to encourage export orientation in SMEs. Subsidies should be provided to participate in trade fairs and resources devoted to opening up of foreign opportunities for local firms.

7.2.1.2 Labour laws

Labour laws are not flexible enough to facilitate hiring and firing of employees. A distinction needs to be made between labour intensive sectors and technology oriented sectors. There is a perception that incentives and facilities offered by various institutions are geared towards the latter.

7.2.1.3 Cost of raw materials

Mauritius has lost its comparative advantage over the years; therefore entrepreneurs have to rely on imported raw materials that affect production costs and eventually the final price for consumers. In the manufacturing sector, marketing strategy should focus on producing added values items as opposed to basic ones.

7.2.1.4 Institutional support

Institutional framework for SME support should be devoted to promoting quality local products, counselling on all managerial aspects of an enterprise, innovation and creativity, global competitiveness. The marketing direction for SMEs involved in export orientation should be provided by SEHDA. The marketing tools most appropriate to each market, and how to use them, can be one of the responsibilities of that organisation.

7.2.1.5 Competitive intensity

Competition has intensified in the local market with products from China and Malaysia. There needs to be a shift in mindset to be able to compete effectively. Small firms must move away from producing first and finding markets to identification of opportunities first, and then develop the appropriate products for the market.

SMEs cannot compete against imported products in the local market, which dampens their future growth strategy through export orientation. However, the regional market can be tapped into, if the Government through its institutions can identify the opportunities, which will require significant investment in market research. Service providers such as CEB, CWA, and Telecom should also provide preferential rates for SMEs.

7.2.1.6 Knowledge of foreign markets/opportunities

Lack of knowledge of how to enter foreign markets acts as a deterrent to think about exporting. The need for appropriate training opportunities, based on entrepreneurs requirements is critical to enable small firms to improve quality, deliver better services, and thus compete more effectively. A clear distinction should be made with regards to SMEs operating in the manufacturing and the service sector. Their needs are different and thus the facilities and support provided should be different.

7.2.1.7 Marketing strategies

Generic marketing strategies are perceived to be redundant, each sector have its own specificities requires a concerted effort on behalf of Government to organise trade fairs, and promotion of products overseas. Enterprise Mauritius should also be geared towards helping SMEs to export. The creation of an industrial park should become a priority as well as the clustering strategy envisioned a few years back. The success of both will be dependent on the supporting infrastructures.

Being small is not perceived to be a disadvantage if the right target market is identified that enables a niche marketing strategy to be applied. The success of such a strategy is dependent on a quality product or service, which is differentiated. This is the opinion of participants from the service sector only.

7.2.1.8 Communication flows

Lines of communication between the small firms and Government institutions should be improved to facilitate dissemination of information and opportunities available in the market place. The bureaucracy that exists delays setting up of SMEs, access to markets, participation in trade fairs and conferences, access to finance and training opportunities. Site visits for SEHDA employees are recommended to enable them to understand the realities of the market.

7.2.1.9 Product development

It is believed that differentiation of products through the use of technology is the road to survival of SMEs in Mauritius. Marketing planning per se is not seen as a priority compared to access to finance, management of costs, and meeting delivery schedules. The market orientation of small firms is limited.

7.2.1.10 Awareness of products

Market presence, that is, visibility of market offerings, as well as reputation of company, are major weaknesses of small firms in Mauritius. Market research is critical to establish demand for the product and to monitor changes in the market place, and it is the responsibility of the SME to conduct proper market research. But with help of Government and SEHDA, market research can be fine tuned and done on a larger scale.

7.2.1.11 Networking

Networking seems to be an important catalyst of change in SMEs. The ability to compete with other larger firms locally and in foreign markets is dependent on the contacts and suggestions offered by people or organisations forming part of their local or international networks, e.g. supply chain members or even customers. Relationships with clients and partners are viewed to be a significant source of competitive advantage.

7.2.1.12 Outsourcing

Outsourcing for both the manufacturing and service sectors is perceived to be a viable option to reduce costs of production. However, the use of Business Process Outsourcing is dependent on the future orientation of the organisation in light of Mauritius becoming a knowledge and an IT hub.

7.2.1.13 Selling as opposed to marketing approach

There is a perception that not everybody understands marketing as a business function. It is often confused with selling, where entrepreneurs focus on price as their unique selling proposition. Such a mindset is outdated as local organisations are price takers on international markets. Therefore they should focus on the value added, or the higher quality of their products, emphasise on uniqueness rather than similarities.

7.2.1.14 Marketing plan

The role of the marketing plan is underestimated; it should be part of the entrepreneurial culture in Mauritius. The training offered by SEHDA is perceived to be a major plus point, but such awareness should start at secondary school level. With globalisation, the need for marketing planning is accentuated, in order to make inroads in foreign markets where cutthroat competition levels exist.

7.2.1.15 Customer orientation

Participants believe that the customer is always right. This is a philosophy that has ensured the success of their small firms. Products and services have to be customised to their request otherwise they go to competitors. The power of word of mouth is significant to attract and retain customers. Years of experience in their specific sector have given them enough knowledge to know the preferences of their target markets, which allow them to develop new products/services accordingly.

7.3 Part 3: Survey Findings

Part 3 presents the profile of the respondents of the survey and the analysis and discussion of the survey result.

7.3.1 Response rate

Type of Industry	Population	Sample	Response rate Frequency	Response rate %
Food & Beverage	213	112	78	69.64%
Leather & Garments	154	81	29	35.80%
Wood & Furniture	198	104	41	39.42%
Paper products & Printing	94	49	23	46.94%
Chemicals, Rubber & plastic	82	43	12	27.91%
Jewellery & related items/Potter & Ceramic	77	41	28	68.29%
Fabricated Metal products	169	89	18	20.22%
Other	153	81	34	41.98%
Total	1140	600	263	43.83%

Table 7.3.1: Survey findings: Response rate for the survey

A profile of the responding companies is given below.

7.3.2 Description of Sample characteristics

This section presents a description of the sample of the 263 SME respondents included in the descriptive research. Bar charts and pie charts will provide a description and summary of the dispersion of the respondents across the demographic variables namely: gender, age, level of education, ethnic group, company age and organisational form.

Frequency distribution: Gender

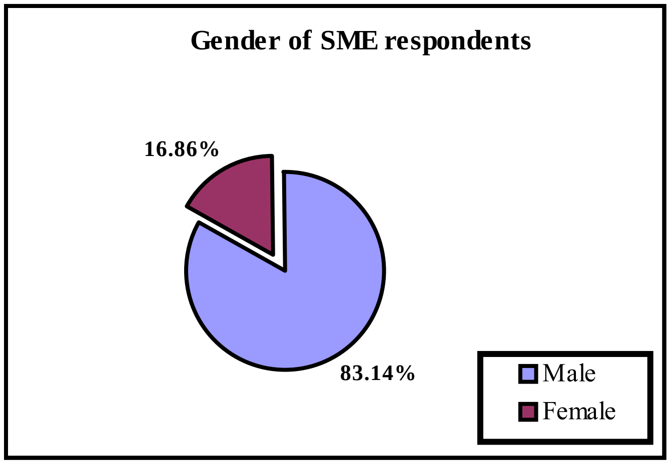


Figure 7.3.1 Survey findings: the frequency distribution of SME respondents according to gender
N=261

As is evident from figure **7.3.1**, the male respondents are by far in majority. Figure 7.2 below presents the distribution of respondents across age groups.

Frequency distribution: Age

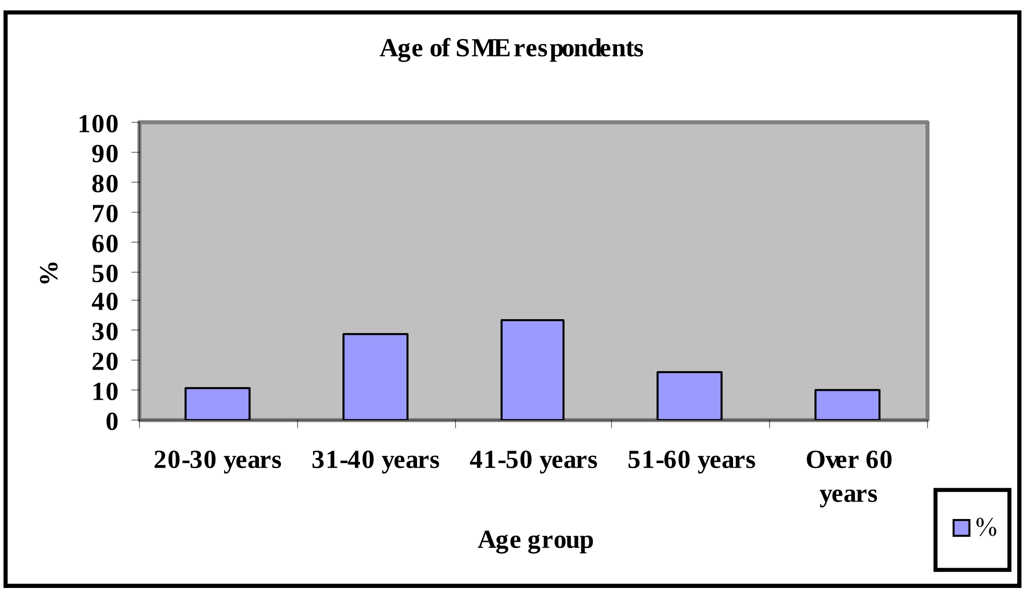


Figure 7.3.2 Survey findings: the frequency distribution of SME respondents across age groups.
N=263

According to the above figure, respondents were quite evenly spread across the age groups. Yet, most SME participants (33.46%) fell in the 41-50 years age category.

Frequency distribution: Educational qualification

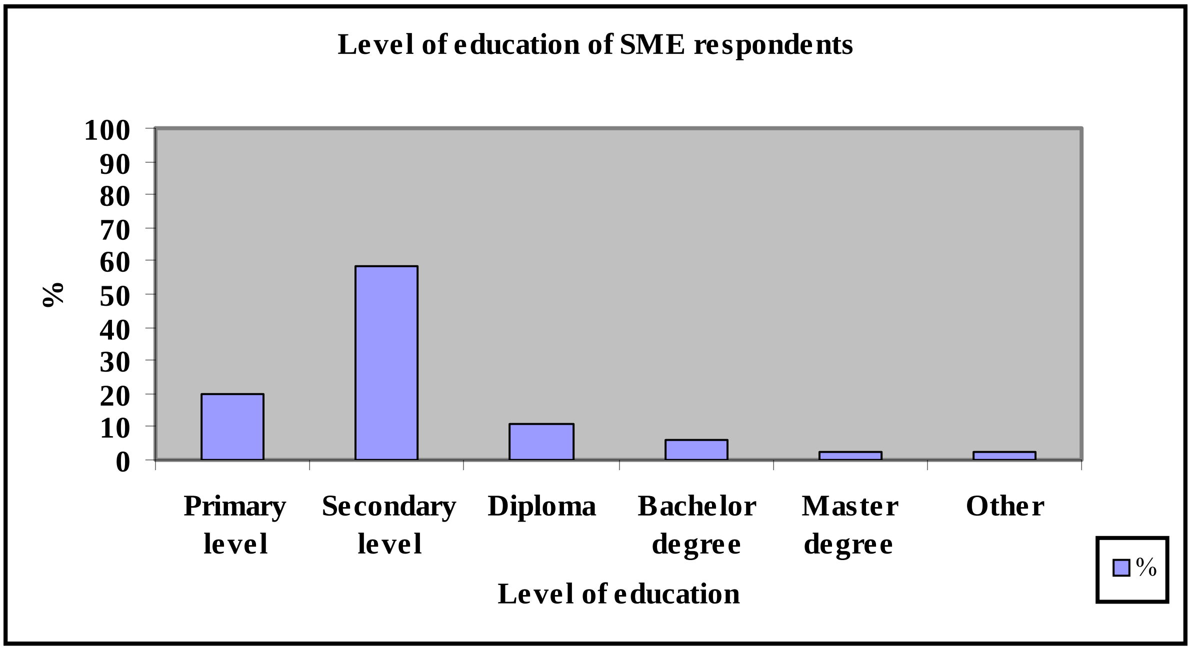


Figure 7.3.3 Survey findings: the frequency distribution of SME respondents across the categories of the variable educational qualification.

N=261

According to figure 7.3.3, 58.24% of respondents have attained secondary level, while 19.92% respondents declared that they had reached primary level only. Alternatively only 10.73%, 5.75%, and 2.68% correspondingly affirmed that they had a diploma, bachelor degree and master degree. Lastly another 2.68% claimed that they had ACCA as 'other' educational qualifications.

Frequency distribution: Ethnic group

Ethnic group	%
Hindu	41.98
Chinese	6.49
General population	6.87
Muslim	39.69
Other	4.96
Total	100

Table 7.3.2 Survey findings: the frequency distribution of SME respondents across ethnic groups

N=262

With regards to the ethnic group variable, most respondents were from the Hindu (41.98%) and Muslim community (39.69%). The remaining 18.32% survey participants declared that they belong to the Chinese (6.49%), the general population (6.87%) and 'other' community.

Frequency distribution: Company Age

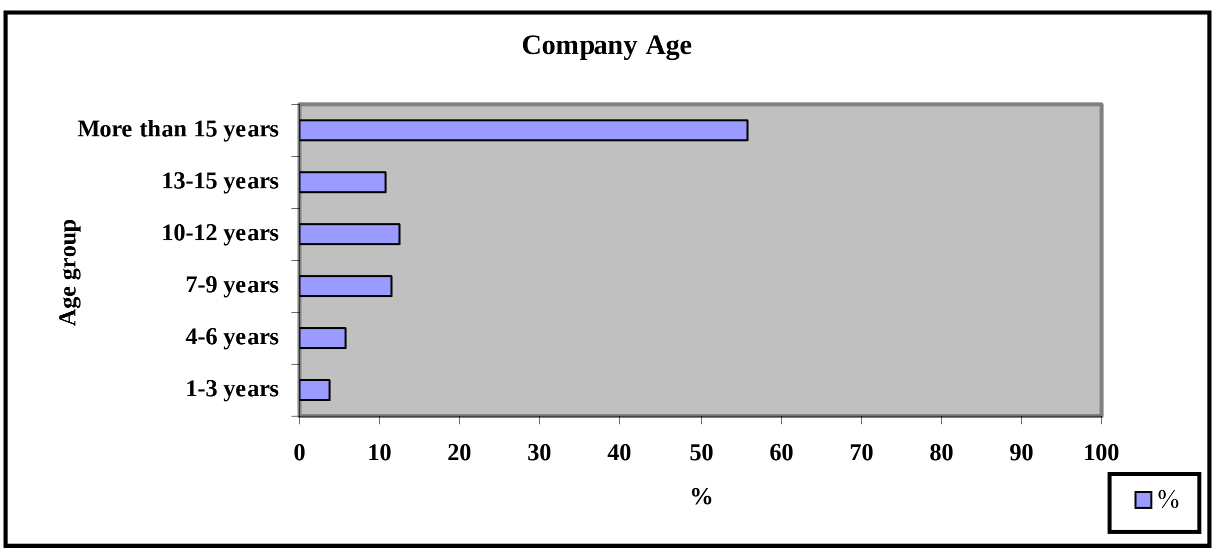


Figure 7.3.4 Survey findings: the frequency distribution of SME respondents across their company age

N=263

Figure 7.3.4, which presents the distribution of the subjects across company age, reveals that most SMEs that participated in the survey fell in the more than '15 years' age category (55.89%), implying hence that majority of these firms were established entities.

Frequency distribution: Company size

Company Size (Number of employees)	%
0-9 employees	65.65
10-49 employees	30.92
More than 50 employees	3.44
Total	100.00

Table 7.3.3 Survey findings: the frequency distribution of SME respondents across their company size

N=262

Company size in this study was quantified according to the number of employees. The table above shows that the majority of SME (65.65%) surveyed was micro firms (*0-9 employees*). The remaining percentage was unevenly spread between firms having *10-49 employees*, that is, small firms (30.92%) and firms having *more than 50 employees*, that is, medium firms (3.44%).

Frequency distribution: Organisational form

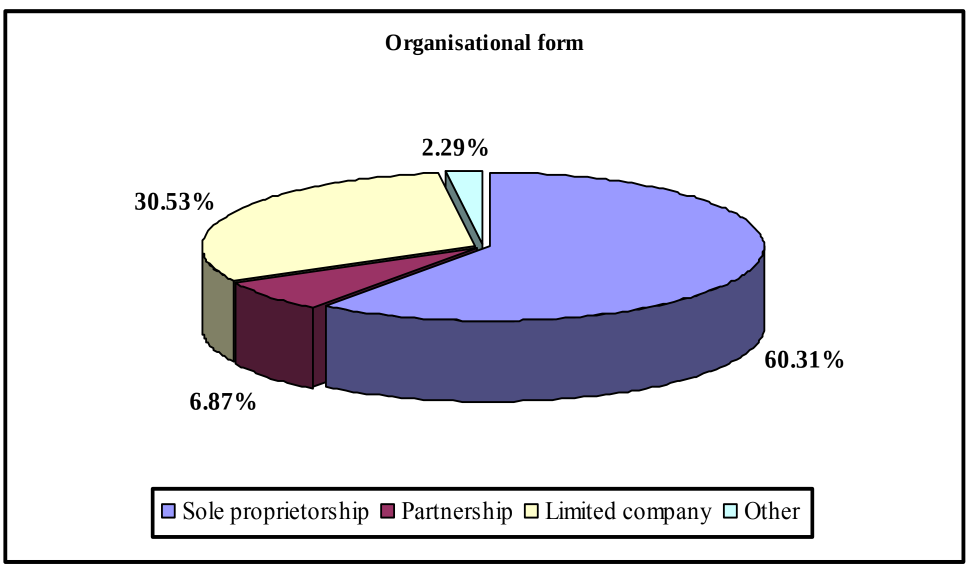


Figure 7.3.5 Survey findings: the frequency distribution of SME respondents across the organisational form variable

N=262

Lastly, when asked about their companies' organisational form, most SME participants replied that they were sole proprietorships (60.31%) and limited companies (30.53%). Only 6.87% and 2.29% respectively chose 'partnership' and 'other' as organisational vehicles.

7.3.3 Research Findings

The answers to questions asked through the questionnaire were entered and saved using SPSS 13 as analytical software. Through the statistical analysis of the data which consisted of calculating the frequency,[204] the mean, the mode, reliability coefficients, analysis of variance and factor analysis of the various answers received wherever it was appropriate, it was possible to develop a logical framework putting forward the main objectives concerning the questions that the project was actually trying to elucidate. It should be noted that bar and pie charts from Microsoft Excel were used to illustrate the response to the questions.

The empirical findings of the present survey have been reported as follows:

Findings 1: Approaches to Marketing

Findings 2: Marketing Competitiveness

Findings 3: Strategic Orientation

Findings 4: Entrepreneur Characteristics & Entrepreneurial Orientation

Findings 5: SMEs in Mauritius

Findings 6: Networking

Findings 7: Internationalisation

[204] Ferguson (1981) views frequency tables as a form of classification and description of numbers that contribute to the researcher's understanding and interpretation of the important features of the data obtained.

7.3.3.1 Findings 1: Approaches to Marketing

Question 1: Marketing competencies of Mauritian SMEs

Managers within the marketing function have to undertake a wide range of activities, which facilitate the interaction of buyers and sellers and the ultimate movement of products and services from the producer to the customer. These marketing activities encompass, for example, issues such as strategizing, planning, marketing mix management, working with sales and other stakeholders, as well as ensuring high levels of customer satisfaction and loyalty for products and services. The importance of marketing competencies reside within the notion that one of the major factors contributing to business success, is the extent to which marketing is understood and applied within businesses. Conant, Smart, and Solano-Mendez (1993) note, for instance, that small merchants with clearly defined strategies, enjoy a competitive advantage, in part, because they possess relatively more distinctive marketing competencies.

In this respect, Question 1 relates to the level of importance Mauritian SMEs attach to various broad marketing competencies (35 statement items in all), where 1= Very important, 2=Important, 3= Neither important nor unimportant, 4=Not important and 5=Not important at all. The thirty-five items were in the first place factor analyzed to delineate underlying dimensions, using the principal component method of extraction and varimax rotation. The most common and reliable criterion is the use of eigenvalues in extracting factors, whereby all factors with eigenvalues greater than one were retained.[205] As can be seen from Table 7.3.4, the final factor solution comprised of seven factors explaining 65.2% of the total variance. The Kaiser-Meyer-Olkin measure of sampling adequacy was conducted to ensure the adequateness of factor analysis. This measure for the data was 0.901, which suggested that these items were suitable for factor analysis since it exceeded the recommended value of 0.6 (Kaiser, 1974). The Bartlett's Test of Sphericity reached statistical significance (p=0.000), supporting the factorability of the correlation matrix.

[205] Kaiser (1960) recommended retaining all factors with eigenvalues greater than 1. This criterion is based on the idea that the eigenvalues represent the amount of variation explained by a factor and that an eigenvalue of 1 represents a substantial amount of variation.

Factor analysis of marketing competencies				
Factor and items	**Factor Loading**	**Eigen value**	**% of Explained Variance**	**Cronbach's Alpha**
Factor 1: Operational Marketing Competencies		12.41	10.76	0.8391
Development of marketing plan.	0.5520			
Market segmentation to identify distinct groups of customers.	0.5525			
Development of new products/services.	0.6649			
Deletion of old/weak product/services.	0.5927			
Effective advertising/promotion.	0.5451			
Managing public relationships through PR activities.	0.7598			
Managing market image/ reputation of the company.	0.4283			
Factor 2: Brand Management Competencies		2.90	9.66	0.8816
Determining target markets.	0.5181			
Establishing the brand proposition in the various target markets.	0.754			
Deciding brand positioning.	0.8293			
Determining marketing mix strategies.	0.7324			
Factor 3: Micro Environment Management Competencies		1.98	9.55	0.8237
Knowledge of customers.	0.5826			
Improvement in quality of products/services.	0.4169			
Building a climate of trust with customers	0.7830			
Exact fulfillment of promises to customers.	0.8385			
Building a climate of trust with suppliers.	0.6591			
Building a climate of trust with banks.	0.4274			
Factor 4: Sales Management Competencies		1.62	9.00	0.8373
Exact sales forecasting.	0.5910			
Achievement of sales targets.	0.5514			
Assessment of results and comparison with targets.	0.6952			
Use of effective pricing methods.	0.5194			
Terms to ease payments for customers.	0.6900			
Use of advanced marketing technologies.	0.5533			
Factor 5: Marketing Control Competencies		1.53	8.89	0.7599
Development of climate of trust with government.	0.5676			
Effective confinement of costs/expenses	0.6188			
Quality assessment production	0.6521			
Control of raw materials and supplies	0.7460			
Factor 6: Market Research Competencies		1.21	8.81	0.827
Knowledge of market trends.	0.6581			
Knowledge of competitive advantages.	0.8505			
Knowledge of competitive disadvantages.	0.8085			
Availability of on-time information for decision-making.	0.5499			
Factor 7: Financial Management Competencies		1.17	8.55	0.8351
Control of ratio of own to borrowed capital	0.4234			
Availability of working capital.	0.5705			

Setting market share objectives.	0.7060			
Setting profitability objectives.	0.6647			
Total Variance Explained			65.21	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.4: Factor analysis of marketing competencies

The above table shows that all **factor loadings greater than 0.4** were retained for interpretation, as was the case for previous studies using factor analysis.[206] The seven factors obtained from data reduction were labelled 'Operational Marketing Comptencies', 'Brand Management Competencies', 'Micro Environment Management Competencies', 'Sales Management Competencies', 'Marketing Control Competencies', 'Market Research Competencies' and 'Financial Management Competencies'. In addition, reliability analysis was performed to test the internal consistency of each factor obtained from factor analysis. In this respect, each of the seven factors showed a Cronbach alpha of 0.7 or above, which shows high reliability of the factor solution.

As can be seen from table 7.3.5, all items were on average rated as either very important or important competencies that SMEs need to possess,[207] and they altogether indicated components of marketing strategy formulation and implementation.

	Very Important	Important	Neither important nor unimportant	Not important	Not at all important	N	Mean	Mode
Knowledge of customers.	52.47	41.83	4.56	1.14		263	1.54	1
Knowledge of market trends.	44.49	46.39	6.84	1.90	0.38	263	1.67	2
Knowledge of competitive advantages.	40.68	43.73	11.79	3.42	0.38	263	1.79	2
Knowledge of competitive disadvantages.	33.21	48.85	13.74	3.44	0.76	262	1.90	2
Availability of on-time information for decision-making.	33.46	48.67	15.21	2.28	0.38	263	1.87	2
Exact sales forecasting.	27.86	45.04	18.32	8.02	0.76	262	2.09	2
Development of marketing plan.	24.33	42.21	25.48	6.46	1.52	263	2.19	2
Market segmentation to identify distinct groups of customers.	22.90	46.18	19.85	8.78	2.29	262	2.21	2

[206] See for example Staquet et al., 1998
[207] The majority of them had modes and means varying from 1 to 2.

Development of new products/services.	31.94	50.57	12.93	3.04	1.52	263	1.92	2
Deletion of old/weak product/services.	21.46	46.36	20.31	7.66	4.21	261	2.27	2
Improvement in quality of products/services.	50.76	40.46	7.25	1.53		262	1.60	1
Effective advertising/promotion.	20.23	42.37	24.43	8.40	4.58	262	2.35	2
Managing public relationships through PR activities.	17.49	43.73	27.76	4.94	6.08	263	2.38	2
Managing market image/ regulation of the company.	29.39	48.09	17.56	3.44	1.53	262	2.00	2
Achievement of sales targets.	33.46	44.49	12.55	7.60	1.90	263	2.00	2
Building a climate of trust with customers	58.17	38.40	2.28	1.14		263	1.46	1
Exact fulfilment of promises to customers.	54.96	40.08	4.20	0.76		262	1.51	1
Building a climate of trust with suppliers.	45.63	46.77	6.08	1.14	0.38	263	1.64	2
Building a climate of trust with banks.	47.53	42.21	6.84	2.66	0.76	263	1.67	1
Assessment of results and comparison with targets.	25.86	50.57	15.59	7.22	0.76	263	2.06	2
Terms to ease payments for customers.	25.10	49.81	14.07	7.98	3.04	263	2.14	2
Use of effective pricing methods.	29.89	45.98	16.48	6.90	0.77	261	2.03	2
Development of climate of trust with government.	28.14	39.92	19.39	7.60	4.94	263	2.21	2
Effective confinement of costs/expenses	33.46	53.99	8.75	3.80		263	1.83	2
Quality assessment production	36.88	50.95	9.51	2.66		263	1.78	2
Control of raw materials and supplies	36.50	55.51	6.08	1.90		263	1.73	2
Control of ratio of own to borrowed capital	27.10	51.15	17.18	3.82	0.76	262	2.00	2
Use of advanced marketing technologies.	19.77	44.11	21.67	10.27	4.18	263	2.35	2
Availability of working capital.	34.98	53.99	9.89	1.14		263	1.77	2
Setting market share objectives.	24.05	45.42	22.52	7.25	0.76	262	2.15	2
Setting profitability objectives.	32.70	48.29	14.45	4.18	0.38	263	1.91	2
Determining target markets.	22.81	48.67	19.39	7.60	1.52	263	2.16	2
Establishing the brand proposition in the various target markets.	22.52	44.27	23.66	6.87	2.67	262	2.23	2
Deciding brand positioning.	20.53	41.44	29.66	6.46	1.90	263	2.28	2
Determining marketing mix strategies.	23.95	41.06	27.00	5.70	2.28	263	2.21	2

Table 7.3.5: Frequency table of marketing competency statements

The first factor has been labelled '**Operational Marketing Competencies**', because it provides an indication of the importance of marketing as a management function in the small and medium enterprise. **Operational marketing** is the day-to-day implementation of the firm's strategy in terms of identifying and communicating with specific potential customer groups and individual customers, as well as reaching the various customer decision makers and influencers in the buying process. It also involves ongoing promotional activities designed to create awareness and interest among target customers.

The frequency distribution for the statement 'Development of marketing plan' revealed that 66.54% of respondents viewed the setting up of a marketing plan as essential. Yet, its degree of importance, relative to the other 34 statements, places it at the 30th position. Some of the comments made by some respondents to this question give a clearer insight of the perception of Mauritian entrepreneurs, vis-à-vis the preparation of a marketing plan. For instance, some argued that even if they attached much importance to the devise of a marketing plan, they did not actually have one. This is reinforced by the comments of Tzokas et al. (2001) who explain that in the initial years of a new enterprise, growth often occurs without a formal and planned marketing effort and, as a result, owner managers believe that it is unnecessary to invest time and effort in formal marketing planning. In this respect, an in-depth interviewee remarked, "We don't do marketing planning, we do not need it," and another one who confirmed, "(…) We do not do any marketing planning apart confirmed advertisements in newspapers; we'll need a formal planning when we expand, till then we appreciate the way things are; everything is going smoothly (…) so why plan? …"

On the other hand, 69.08% viewed 'Market segmentation to identify distinct groups of customers' as either 'very important' and 'important'. Nevertheless, this statement is only ranked 26th in terms of importance, indicating that Mauritian SMEs do not attach a lot of significance to this marketing competency relative to others. An in-depth interviewee accordingly declared, "… there's no segmentation, we serve the whole market…" This is in line with Argawal (1995) who argued that one common mistake that SME managers make is that they fail to segment their market and identify their target customers. As such, they do miss out on a great opportunity to gain a competitive edge. Contrastingly it was found during in-depth interviews that some SMEs unconsciously segmented their market, based on income, age, life style, and product attributes.

For most enterprises, especially small businesses, new product development is essential to maintain or develop their competitive position (Van de Graff, 2005). In this regard, 82.51% of respondents considered ‘Development of new products/services’ to be very important. This corroborates the findings of face-to-face interviews, where various respondents added that they had to be innovative to retain their existing clients and attract new ones. This is in line with Atuahene-Gima and Ko (2001) who argued that market/entrepreneurship-oriented firms are mainly characterized by their leadership quality in the development of both market-driven and market-driving new products. Yet, even if the life cycle management of a product also includes the question of product deletion (Harness et al., 1998), the response of the research sample to the ‘deletion of old/weak product/services’ was contrastingly less in terms of importance, relative to new product development. In this respect, only 67.82% of respondents affirmed that deleting old products were ‘very important’ and ‘important’. This attitude is explained by the findings of the in-depth interviews, whereby many interviewees declared that they were too ‘attached’ to their products, and they found it difficult to withdraw it from the market even if the demand for that particular product has drastically decreased or ceased.

Likewise, ‘Effective advertising/promotion’ was classified 33rd with regards to the overall degree of importance. 62.60% identified advertisement and promotion as an important marketing competency. The reason behind such a low response relative to the other statements is found in the SME marketing literature and in the in-depth interviews. Curran (1988) and others, for instance, found that advertising is often cast off because owner-managers perceive them as expensive, difficult to quantify, ineffective, a waste of money and an indicator of a poorly run business. In support of the above, Some relevant commentaries recouped during in-depth interviewees are as follows: “One major restriction that is imposed on an SME is the lack of resources… hence we cannot spend much on adverts to market our product”, “From time to time we rely on promotion and give discounts to increase our sales but we don't do any formal advertising – it's costly and we do not deem it useful!" and lastly, "…if we had to choose between investing in a new machine and advertisements, … we'll opt for the new machinery, we do not give much credit to advertisement..."

As such, the literature identified that small business owners considered "word of mouth" communications as appropriate and by far, the best method of promoting their businesses and gaining new customers. This gives support to the remarks of one in-depth interviewee who stated, "we do not believe in advertisement and promotion …we just go and meet the existing and potential particulars to promote our products (…) personal contact is important in this business." Similarly, Kinsey (1987) found that advertising and promotion received much less emphasis than salesforce or personal contacts. Hermann (1995) accordingly argued that such a strong interaction between the manager and his customer base is often perceived and presented as being essential for a true knowledge of the customer and his needs. However, even if 'Managing public relationships through PR activities' loaded heavily on the operational marketing factor, it was ranked as the least important marketing competency, with only 61.22% of the total sample viewing it as 'very important' and 'important'. Again, this may be explained by the time and financial constraints that small owner managers face. The lack of financial resources inherent to SMEs makes it difficult for them to account for PR activities in their limited budget.

Lastly, with regards to the operational marketing competencies factor, 77.48% of respondents declared that they attach much importance to the management of their market image / reputation of the company. Reputation is an extremely valuable source of sustainable advantage, because if consumers perceive the reputation of the small firm as being a preferable source, they will most likely choose its products or services. Results from in-depth interviews give further evidence to the above finding. For instance, one in-depth interviewee declared: "…with regards to our reputation (…) we make sure that the company and our products are well-known and well-thought of by the customers…". Yet, it has been argued[208] that, given their small scale of production, many SMEs may find it difficult to develop a powerful marketing campaign that will enable them to create goodwill for their products and to develop a strong customer base.

Factor two, labelled as '**Brand Management Competencies**' highlights the importance for SMEs to understand and manage brands today. Badoc (2001) and Kapferer (2002) argue that the only way the SMEs can reduce their vulnerability vis-à-vis large companies and ensure that the market demands their products, is by building a well-known brand, with a specific image, among their target customers. With respect to the factor item, 'Determining target markets', 71.48% of the SMEs' sample identified it as being 'very important' and 'important'. Two categories of SME owners were observed during these in-depth discussions: those that chose rather intuitively, without any marketing knowledge, which markets to serve and how to serve them and; those that served the market as a whole without any segmentation. The fact that the present statement ranks among the least important competencies, identified by the survey sample, indicates that local entrepreneurs do not understand the importance of target marketing as a key decision area for undertaking strategic planning in their organisations.

On the other hand, 66.79% of respondents described 'Establishing the brand proposition in the various target markets' as being a 'very important' and 'important' marketing competency. This relatively low response can be associated to the previous finding, which showed that Mauritian SMEs did not attach great importance to the targeting process. Moreover, the very scant notion of branding expressed by many respondents during interviews may potentially explain such a relative low response. Likewise, 'Deciding brand positioning' obtained approximately the same percentage response, with only 61.97% of interviewees indicating that the statement was of much import.

Alternatively, 65.02% of respondents stipulated that 'Determining marketing mix strategies' was an important marketing competency. Yet with regards to the other

[208] WIPO magazine (2002)

statements of Question 1, this particular aptitude was ranked at the 31st position in terms of importance. This can be linked with the SMEs literature which stated that owner-managers did not define their own marketing mix in terms of product, pricing, place and promotion and prefered interactive marketing. They specialize in interactions because they have strong preferences for personal contact with customers, rather than the impersonal marketing of mass promotion (Day et al., 1998).

The third factor, labelled '**Micro-Environment Management Competencies**' relates to the ability of SMEs to manage the various marketing players in the microenvironment such as customers, suppliers and other financial intermediaries such as banks. Such a competency pertains to the importance entrepreneurs attach to building successful relationships through a climate of trust with their partners[209].

For instance, 'building a climate of trust with customers', the 'exact fulfillment of promises to customers' and 'knowledge of customers' were respectively identified by 96.58%, 95.04% and 94.30% as being 'very important' and 'important'. This is in line with commentaries obtained from in-depth discussions. For example, one interviewee reasoned: "We are always fussing over our clients… asking them feedbacks about our products, to know whether they are satisfied or not …From their comments, we work towards offering them a better finished product, which is according to their expectations". Hence, this suggests that customer orientation is an integrated part of the managerial philosophy of small business owner-managers, which emphasizes on customer satisfaction, that is, offering products that truly satisfy customer needs.

This is in conformity with the 1996 qualitative study of Hogarth-Scott et al. which revealed that most SMEs have a good customer orientation and are keen to satisfy their customers' wants and needs. As such it can be argued that Mauritian SMEs believe in offering a personalized service to their customers which often leads to significant benefits, including customer loyalty and higher levels of customer satisfaction. This may

[209] It is worth noting here, that all the statements that loaded on this factor are among the 10 statements that received the highest response rate in terms of importance.

further be linked to the concept of relationship marketing where the SME focuses on genuine customer involvement based on trust and the exact fulfillment of promises. Such an analogy corroborates the findings of Gronroos (2004) who established that the relationship-marketing perspective is cemented on the notion that on top of the value of products and/or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer.

Alternatively, 91.22% attested that ‘Improvement in quality of products/services’ was of much import as a marketing competency, implying recognition that product quality improvement will have a positive effect on sales and on customer satisfaction. The former supports the remarks of one in-depth interviewee who acknowledges the following, “Innovation and quality are a must! (…)”. However, such a finding is in high contrast with Gulbro et al (2000) who declared that implementing quality activities and improving quality appears to be difficult, with specific problems encountered by small firms. Haksever (1996) discovered that two of the most serious problems in trying to implement continuous quality improvement in a small business were a lack of management experience and a lack of both financial and human resources.

Likewise ‘Building a climate of trust with suppliers’ (92.40%) and ‘Building a climate of trust with banks’ (89.73%) were well thought of by Mauritian SMEs. Again, such findings corroborate the notion of relationship marketing, which encompasses the process of developing long-term, win-win relationships with not only valued customers but also with suppliers and banks. As to the reason why Mauritian entrepreneurs hold on to the importance of creating a sense of trust with suppliers, it can be argued that the formers’ lack of financial resources and the need to obtain market information may induce them to maintain good relations with members of their immediate environment so as to gather market knowledge.

Conversely, factor four labelled **‘Sales Management Competencies’** regrouped items showing the importance that small business owners attached to sales, pricing and credit payment, which altogether determine the profitability and continued existence of the

SME. In this respect, 72.90 % of the sample identified ‘Exact sales forecasting’ as ‘very important’ and ‘important’. The ability to accurately forecast sales can indeed provide a distinct competitive advantage for the small business. Such a finding corroborates the findings of Hamilton et al (1991), who declared that small businesses are particularly dependent upon accurate sales forecasts for their continued viability.[210] Indeed, one of the main objectives of the small firm is to set up and maintain an effective merchandise management plan which provides equilibrium between sales and inventories, thereby meeting both the product needs of the customer and the financial objectives of the small business owner (Lewison et al, 1982).

In a similar fashion, 77.95% and 76.43% respectively viewed ‘Achievement of sales targets’ and ‘assessment of results and comparison with targets’ as importance marketing competencies. It can be propounded here, that even if planning is literally inexistence in the small firm, the Mauritian entrepreneur values much the sales function. Findings from in-depth interviews have highlighted that owner managers paid particular attention to their sales figure because they regarded it as a tool for performance measurement. This is in conformity with Hill (2001) who argued that “marketing in practice” in SMEs were sales focused and driven by the need to make the sale. On the other hand, with respect to the methods of payments granted to their clients, 74.90% of the sample identified ‘Terms to ease payments for customers’ as an important marketing competency. In this respect, most SME owners in the in-depth interviews expressed that cash payments were the most preferred ones and that they gave credit facilities only to long-term clients only. Such a situation is understandable if one considers the limited financial resources that the small firm is endowed with; consequently operating on cash basis facilitates the day-to-day running of the business.

Alternatively, 75.86% of respondents affirmed that the ‘Use of effective pricing methods’ was an important marketing competency, which is low relative to ‘knowledge of customers’ or ‘building a climate of trust with customers’. The above can be explained

[210] Makridakis (cited in Wheelwright et al., 1983) points out that in many situations even small improvements in forecasting accuracy can provide considerable savings.

by findings from past studies, which showed that a significant number of small business managers are not overly motivated to find the “best” price. Hence, as Pitt et al. (1997) have argued, pricing is inevitably one of the least emphasized of strategic issues, which desperately lacks in creativity. As such, Hankinson (1991) claims that some firms genuinely only want a fair or just rate of profit.[211] Moreover, only 63.88% of respondents declared that they attached much importance to the ‘Use of advanced marketing technologies’. It can be reasoned here, that given the deficiency of small business owners in the marketing field, using advanced technologies in such area will imply the hiring of a marketing officer resulting thus in increasing additional costs on the SME. Such an analogy is line with the SME literature which propounds that marketing graduates are still viewed by many owner-managers as an unnecessary luxury, with many remaining sceptical about whether graduates really meet their needs (Martin and Chapman, 2006).

Still, it may be argued that marketing strategy will be a failure if the entrepreneur is unable to control its marketing activities, thereby leading to the failure of the entire marketing plan. In this respect, factor five labelled ‘**Marketing Control Competencies’** shows exactly the critical importance attached by entrepreneurs to such competencies. In the case of ‘Effective confinement of costs/expenses’, 87.45% of respondents identified the latter as an important marketing capability. Such a finding can be associated to the fact that cost reduction is a must in the small firm in order to remain competitive. Not surprisingly, 92.02% of the sample pointed at the importance of controlling raw materials and supplies, further supporting the importance of cost control in the SME. During in-depth interviews, it was found that in this particular context, cost control meant limiting production waste.

On the other hand, 87.83% of interviewees viewed ‘Quality assessment production’ as an important marketing tool that the Mauritian entrepreneur should possess. Such a result is consistent with the earlier result with regards to ‘Improvement in quality of products/services’ demonstrating hence that quality is an important instrument

[211] Curran (1988) further supports this claim by suggesting that most set prices by some notion of a “fair return” common to their industry.

contributing towards the success of Mauritian SMEs. Also, of interest is the factor item ‘developing a climate of trust with government’, viewed as a major enabler or deterrent for continued existence of SMEs. Given that it loads on Factor five suggests that entrepreneurs attach significant importance to developing competencies that will enable them to have a trustworthy relationship with the Government, thereby ‘controlling’ the influence of this macro-environment factor.

Factor six, relates to entrepreneurs developing **marketing research competencies** that will enable them to gain a better understanding of the market and competitive environment that will permit them to make timely decisions to capitalize on market opportunities and/or minimize the threats of competitive actions. From table 1.1, the first item loading on factor 6 is ‘Knowledge of market trends’ with regards to which 90.87% of respondents recognised it as being ‘very important’ and ‘important’. This finding is in concurrence with most in-depth participants like this one, who eagerly declared, “…following the market trend is imperative …” Moreover, in-depth interviews’ findings also highlighted the high propensity of the Mauritian entrepreneur to gather market information. Indeed, it was found that SMEs respectively relied on customers’ comments and suggestions, the Internet, various Media/Trade Reports/Chamber of Commerce, suppliers/distributors, sales people, SMIDO and lastly on their own market surveys. It is worth noting that the present findings go against that of Harris (1998) who argued that focusing on market trends and needs is not applicable in the small business sector.

On the other hand, ‘Knowledge of competitive advantages’ was much valued too, with 84.41% of the sample identifying it as ‘very important’ and ‘important’. This result is in sharp contrast with Thompson (1997) who agued that small companies should examine their environment for opportunities and threats in order to establish where they can gain competitive advantage and where their resources might most usefully be concentrated. According to a survey carried by Cambridge Small Business Research Centre (1992), the main competitive advantage of small firms was found to be ‘personal attention to client needs ’, although ‘established reputation’, the ‘provision of specialized expertise’ and ‘product quality’ were also believed to be important factors. Such findings corroborate the results of the in-depth interviews, which identified quality of products (31%), reputation of the company/owner (20.6%), reliability of delivery (10.3%), creativity/innovation of products (13.7%) and high skilled workers (13.7%) as the major strengths of local SMEs.

In a similar vein, 82.06% of respondents recognized the importance of having knowledge of their competitive disadvantages. In-depth participants provided an exhaustive list of their weaknesses during the interviews but, employees' absenteeism (37.9%), availability of finance (17.2%), and size of the business (10.3%) were perceived to be major barriers. Interestingly, when asked to enumerate the different weaknesses of his business, one in-depth interviewee declared, "I think it's the main (…) I would say (…) not weakness because I think it's a challenge. When you look at it in the SWOT perspective it's not a weakness, it's opportunity for improvement…We don't call it strength, weakness, opportunity- we call it strength, opportunities for improvement and opportunities. So we don't look at it in the negative way- that we are weak. Nobody's weak but we have an opportunity to improve." These commentaries highlight the findings of Lesca and Caron (1994) who declared that the survival capacity of SMEs depends on their ability to anticipate and adapt to change.

Availability of on-time information for decision-making was also deemed to be of much importance with 82.13% of the survey participants identifying it as 'very important' and 'important'. It gives support to the marketing literature, which propounds that when it comes to marketing decisions, which are perceived to be highly urgent and complex, the availability of current information, in sufficient quality and quantity, is critical.

Lastly, factor seven labelled as **'Financial Management Competencies'** emphasize the importance of SMEs to develop competencies in securing working capital to achieve profitability and market share targets. 88.97% of the sample stated that the factor item 'availability of working capital' as important. Such a result supports the findings of earlier studies,[212] which found that many SMEs in developing countries run into problems for lack of timely and adequate working capital, which not only adds costs but can also endanger the entire production operation. It can be argued here, that even though the entrepreneurial orientation has a strong influence upon the development of new products/ services and the use of advanced manufacturing technologies, the marketing orientation of Mauritian SMEs exerts a stronger influence upon the market image of the firm, the achievement of sales targets, the use of effective pricing methods and the availability of working capital.

The second factor item 'setting profitability objectives' was identified by 80.99% of the sample as being important. Yet, with regards to setting market share objectives, responses were relatively low, with only 69.47% of respondents viewing it as 'very important' and 'important'. Such a result may be linked with the findings of the in-depth interviews whereby many participants did not value or know the importance of market share objectives vis-à-vis their competitors, and preferred to concentrate on profitability objectives. The last factor item, which relates to the 'control of ratio of own to borrowed capital' was perceived by 78.24% of the sample as important. Own capital is in fact by far the most important source of starting capital, particularly for domestically owned firms; including the founder's own resources and those of relatives and friends.

Question 2 SMEs Current Business Philosophy

While the first objective of the project was to identify which marketing competencies do entrepreneurs value the most through their assessment as to the importance attached to a number of items, the second objective was to identify which of these competencies were developed by the respondents. A similar procedure to that used for Question 1 was applied to the data set that is; the 49 statements from question two in the survey instrument was factor analysed to condense the information in the original variables into a smaller set of new dimensions or constructs. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.868 and the Bartlett's Test of Sphericity ($p<0.01$) showed a high degree of appropriateness for the data to be factor analysed.

[212] Cardoso (1980); Weaver and Pak (1988); Kaleka and Katsikeas (1995); Dicle and Dicle (1992).

Factor analysis of SMEs Current Business Philosophy				
Factor and items	**Factor Loading**	**Eigen values**	**% of Explained Variance**	**Cronbach's Alpha**
Factor 1: Competitive Environment Monitoring		12.84	26.25	0.9114
We regularly monitor our competitors' marketing efforts.	0.77			
We frequently collect marketing data on our competitors to help direct our marketing plans.	0.747			
Our salespeople are instructed to monitor and report on competitor activity.	0.79			
We respond rapidly to competitors' actions.	0.82			
As members of top management, we often discuss competitors' actions.	0.795			
We consider opportunities based on competitive advantage.	0.784			
Factor 2: Marketing Research Orientation		5.02	10.27	0.9052
Marketing is seen as a guiding light for the entire firm.	0.53			
We do a lot of marketing research to assess customer perceptions of our products/services.	0.534			
We invest significantly in managing and promoting our service brands.	0.787			
We invest significantly in managing and promoting the reputation/image of our organisation/firm.	0.774			
We invest significantly in customer loyalty programs.	0.829			
We invest significantly in research into internal perceptions about our brand(s) (perceptions of frontline staff, core service providers, management)	0.731			
We invest significantly in research into external perceptions about our brand(s) (perceptions of customers, intermediaries, suppliers).	0.843			
Factor 3: Managing Information For Profitability		3.55	7.37	0.961
Our management information system can quickly determine the profitability of our major customers.	0.872			
Our management information system can quickly determine the profitability of our product lines.	0.871			
Our management information system can quickly determine the profitability of our sales territories.	0.856			
Our management information system can quickly determine the profitability of our distribution channels.	0.854			
Factor 4: Customer Service Orientation		2.67	5.61	0.8347
We encourage customer comments and complaints because they help us to do a better job.	0.635			
After-sales service is an important part of our business strategy.	0.52			
We have a strong commitment to our customers.	0.701			
We are always looking at ways to create customer value in our products.	0.74			
We measure customer satisfaction on a regular basis.	0.707			
In our company marketing's most important job is to identify and help meet the needs of our customers.	0.758			
We define quality as the extent to which our customers are satisfied with our products/services.	0.766			

Factor 5: Inter-Departmental Coordination		2.10	4.33	0.9145
In our firm the marketing people have a strong input into the development of new products/services.	0.455			
Marketing information is shared with all departments.	0.739			
All departments are involved in preparing business plans/strategies.	0.707			
We do a good job integrating the activities of all departments.	0.705			
The marketing people regularly interact with other departments on a formal basis.	0.659			
Factor 6: Market-Driven Orientation		2.05	4.28	0.7733
We are slow to detect changes in our customers' preferences.	0.468			
It takes us forever to decide how to respond to competitors' price changes.	0.798			
Somehow we tend to ignore changes to our customers' product/service needs.	0.775			
The products/services we sell are determined more by internal politics than market needs.	0.632			
Customer complaints fall on deaf ears in this firm.	0.458			
Factor 7: Information Sharing Orientation		1.58	3.48	0.896
We regularly have inter-departmental meetings to discuss market trends and developments.	0.788			
Our marketing people regularly discuss customer needs with other departments.	0.764			
Customer satisfaction data are regularly distributed to all departments.	0.639			
Factor 8: Market Trends Identification		1.27	2.69	0.6846
Frontline staff interacts directly with customers to see how we can serve them better.	0.433			
We collect industry information on an informal basis.	0.556			
We regularly review the likely effect of changes in our business environment (e.g, interest rate changes, changes in legislation)	0.655			
We regularly check our product/service developments to assess whether they are in line with customer needs.	0.649			
If we find out that customers are dissatisfied with the quality of our products/services we immediately take corrective action.	0.536			
Factor 9: Communication Orientation		1.18	2.48	0.7543
There is minimal communication between marketing and other departments about market developments.	0.779			
When one department finds out something about a competitor it is often slow to alert other departments.	0.809			
Factor 10: Market Responsiveness Orientation		1.11	2.29	0.6089
Our business activities are driven more by technological advances than by market research.	0.503			
If a competitor launches a programme targeted at our customers we'll react immediately.	0.539			
We are quick to respond to significant changes in our competitors' pricing.	0.693			
Total Variance Explained			70.21	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.6: Factor analysis of SMEs Current Business Philosophy

A principal components analysis with varimax rotation was performed, and only factor loadings greater than 0.4 were again retained for interpretation. The factor solution showed that two items, 'our firm would be a lot better off if the sales force worked a bit harder' and 'the activities of our departments are well co-ordinated,' did not load significantly on any factor, and therefore were removed from the analysis, which then improved the total variance explained from 69.06% initially to 70.21% after the analysis was rerun. Also, reliability analysis was performed to test internal consistency of each factor obtained from factor analysis. All the ten factors showed high reliability with Cronbach alpha of > 0.7 or above, except for the remaining two factors which showed moderate reliability. From Table 7.3.6, it can be seen that 10 significant factors were found in the data set. Some of the factors (Factor 2 and Factor 8) are broadly similar to what were found earlier as important marketing competencies for SMEs.

The frequency percentages with respect to this question are found in table 2.2. It is worth noting that the mode of the different statements with regards to this particular question ranges from 1 to 4 while that of question 1 varied between 1 and 2. It can thus be argued that although there is a broad appreciation of the importance of marketing among small business owners, most marketing competencies are of purely peripheral importance.

	Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**	**N**	**Mean**	**Mode**
We encourage customer comments and complaints because they help us to do a better job.	40.68	49.81	8.37	1.14		263	1.71	2
After-sales service is an important part of our business strategy.	30.80	46.77	15.21	4.18	3.04	263	2.02	2
We have a strong commitment to our customers.	51.71	42.21	6.08			263	1.54	1
We are always looking at ways to create customer value in our products.	42.59	47.53	9.51	0.38		263	1.68	2
We measure customer satisfaction on a regular basis.	30.53	43.89	22.52	2.29	0.76	262	1.99	2
Our firm would be a lot better off if the sales force worked a bit harder.	18.63	42.59	31.56	5.32	1.90	263	2.29	2
In our company marketing's most important job is to identify and help meet the needs of our customers.	27.38	54.75	15.59	1.90	0.38	263	1.93	2
We define quality as the extent to which our customers are satisfied with	42.21	45.63	9.51	1.90	0.76	263	1.73	2

our products/services.								
We regularly monitor our competitors' marketing efforts.	14.07	36.12	31.94	12.17	5.70	263	2.59	2
We frequently collect marketing data on our competitors to help direct our marketing plans.	11.79	23.57	41.44	16.35	6.84	263	2.83	3
Our salespeople are instructed to monitor and report on competitor activity.	10.65	28.90	31.56	17.49	11.41	263	2.90	3
We respond rapidly to competitors' actions.	15.97	35.36	32.32	10.65	5.70	263	2.55	2
As members of top management, we often discuss competitors' actions.	13.31	35.74	35.36	10.65	4.94	263	2.58	2
We consider opportunities based on competitive advantage.	14.89	43.13	27.86	9.54	4.58	262	2.46	2
In our firm the marketing people have a strong input into the development of new products/services.	10.69	36.64	42.75	6.87	3.05	262	2.55	3
Marketing information is shared with all departments.	11.83	35.88	37.79	11.45	3.05	262	2.58	3
All departments are involved in preparing business plans/strategies.	9.92	32.82	43.51	9.16	4.58	262	2.66	3
We do a good job integrating the activities of all departments.	11.45	44.27	32.44	9.54	2.29	262	2.47	2
The marketing people regularly interact with other departments on a formal basis.	10.69	35.88	41.60	9.92	1.91	262	2.56	3
Marketing is seen as a guiding light for the entire firm.	17.18	30.92	41.98	5.34	4.58	262	2.49	3
Our management information system can quickly determine the profitability of our major customers.	12.93	33.84	41.83	7.98	3.42	263	2.55	3
Our management information system can quickly determine the profitability of our product lines.	12.21	34.73	42.75	6.49	3.82	262	2.55	3
Our management information system can quickly determine the profitability of our sales territories.	11.07	31.68	45.80	6.87	4.58	262	2.62	3
Our management information system can quickly determine the profitability of our distribution channels.	9.54	32.06	47.71	6.49	4.20	262	2.64	3
Frontline staff interacts directly with customers to see how we can serve them better.	21.67	46.01	23.19	5.32	3.80	263	2.24	2
We do a lot of marketing research to assess customer perceptions of our products/services.	11.07	33.21	36.64	9.54	9.54	262	2.73	3
We are slow to detect changes in our customers' preferences.	1.53	17.18	28.24	35.11	17.94	262	3.51	4
We collect industry information on an informal basis.	14.89	38.93	32.44	9.92	3.82	262	2.49	2
We regularly review the likely effect of changes in our business environment (e.g, interest rate changes, changes in legislation)	17.87	48.67	28.14	3.80	1.52	263	2.22	2

We regularly have inter-departmental meetings to discuss market trends and developments.	6.90	24.52	55.56	8.81	4.21	261	2.79	3
Our marketing people regularly discuss customer needs with other departments.	4.21	29.50	54.41	8.81	3.07	261	2.77	3
Customer satisfaction data are regularly distributed to all departments.	6.51	24.52	55.17	9.96	3.83	261	2.80	3
There is minimal communication between marketing and other departments about market developments.	2.68	13.03	51.34	27.20	5.75	261	3.20	3
When one department finds out something about a competitor it is often slow to alert other departments.	1.53	11.49	52.11	24.52	10.34	261	3.31	3
It takes us forever to decide how to respond to competitors' price changes.	2.29	16.79	35.50	29.39	16.03	262	3.40	3
Somehow we tend to ignore changes to our customers' product/service needs.	3.82	16.79	27.86	32.44	19.08	262	3.46	4
We regularly check our product/service developments to assess whether they are in line with customer needs.	18.25	52.09	25.10	3.04	1.52	263	2.17	2
Our business activities are driven more by technological advances than by market research.	12.17	24.71	44.87	12.17	6.08	263	2.75	3
The products/services we sell are determined more by internal politics than market needs.	7.98	12.17	41.83	29.66	8.37	263	3.18	3
If a competitor launches a programme targeted at our customers we'll react immediately.	17.18	36.26	31.68	9.92	4.96	262	2.49	2
The activities of our departments are well co-ordinated.	12.98	45.80	33.59	6.87	0.76	262	2.37	2
Customer complaints fall on deaf ears in this firm.	1.15	13.36	19.08	39.31	27.10	262	3.78	4
We are quick to respond to significant changes in our competitors' pricing.	9.16	37.02	39.31	9.92	4.58	262	2.64	3
If we find out that customers are dissatisfied with the quality of our products/services we immediately take corrective action.	35.50	45.42	17.18	1.15	0.76	262	1.86	2
We invest significantly in managing and promoting our service brands.	11.79	35.74	37.26	11.03	4.18	263	2.60	3
We invest significantly in managing and promoting the reputation/image of our organization/firm.	15.59	42.21	33.46	5.70	3.04	263	2.38	2
We invest significantly in customer loyalty programs.	15.97	31.94	40.68	7.22	4.18	263	2.52	3
We invest significantly in research into internal perceptions about our brand(s)	9.51	27.00	42.97	12.93	7.60	263	2.82	3
We invest significantly in research into external perceptions about our brand(s)	13.69	27.38	41.83	9.51	7.60	263	2.70	3

Table 7.3.7 Frequency Table of SMEs Current Business Philosophy

From table 7.3.7 above, Factor 1 labelled '**Competitive environment monitoring**' shows the ability of the small firm to effectively monitor its competitive environment in order to respond to or anticipate competitive moves, as well as scanning the environment to identify market opportunities. It was recouped from the literature on small firms that knowledge is often ascribed as the principal source of competitive advantage of firms in this new millennium. Such a finding supports the results of question 1 concerning 'knowledge on competitive advantages', which was considered as one of the most valued marketing competency by Mauritian business owners. However, from table 2.2, it is found that only 58.02% of the sample acted upon opportunities based on their competitive advantages. This reflects the comments of Beaver et al. (2005) who stipulated that competitive advantage in small firms is an elusive concept, fashioned by the actions and abilities of the principal role players, and owes much to their personal perception of satisfactory performance and business direction.

With respect to the item 'We regularly monitor our competitors' marketing efforts', only 50.19% of respondents testified it as part of their business philosophy. Such a result corroborates the findings of in-depth interviews, which revealed that Mauritian entrepreneurs were not much competitor-centred. The reason provided from these interviews was recurrently the same, namely: time constraints. For instance, an in-depth interviewee accordingly claimed the following "… (Competitor) monitoring is not on a regular basis (…) because of time constraints." The finding is consistent with De Chazal Du Mee (1998), which revealed that SMEs in Mauritius lack information regarding their competitors. Other research studies, however, argue that although competition is a serious threat for small organisations, the lack of resources (such as time and capital) often means they cannot afford to collect information on competitors; or if they do, they lack the resources to react effectively.

In-depth interviews also provide another important insight towards the understanding of the above. In this particular regard, an in-depth participant asserted, "We don't poke our nose into their affairs (competitors) …You know, we don't find it suitable to do such a thing..." In a similar vein, another interviewee added, "WE are not the prying type; as said earlier we are not going to inquire about their activities; what's more important is that I'm selling off my stock…"Alternatively, while one in-depth respondent said, "because we are one of the market leaders, monitoring is not of much import," another pointed out "Everyone operating this business will offer almost the same service, so we do not have to monitor their activities…" Such commentaries are consistent with Zatezalo and Gray (2000)'s findings, which revealed that small firms lacked any plans to compete with other businesses- even if owner-managers were aware of their closest competitors, their major concern was their own business and their own customers and actions towards competitors were found to be reactive rather than proactive.

Likewise, barely 51.33% of interviewees asserted that the 'We respond rapidly to competitors' actions' statement was part of their business culture. This, again, is supported by comments obtained from in-depth interviews. For instance, "We keep an eye on new products that they have introduced but we do not act upon these information". Not surprisingly, the statement 'As members of top management, we often discuss competitors' actions' received a low percentage response in terms of importance, with 49.05 % affirming that they regularly undertook such discussions. Here again, time can be thought to be the constraining factor preventing such interaction between top management members. Similarly, only 35.36% agreed upon the statement 'We frequently collect marketing data on our competitors to help direct our marketing plans' as being part of their business philosophy. Such an analogy supports the Fann and Smeltzer's (1989) study, which established that small firms do not gather market information about competitors for long-range planning or operational decision making to achieve market position.

The next factor item relates to the use of sales force to gather intelligence on competitor. In this end, and surprisingly enough, only 39.54% claimed that 'their salespeople are instructed to monitor and report on competitor activity. It can be argued in this case that even if local entrepreneurs rely much importance on their sales team, the low response rate is because Mauritian SMEs are not competitor-focused.

Factor 2, relates to the ability of the small firm to undertake marketing research and the importance attached to such activities in the small firm. Consequently, this factor was labelled **'Marketing Research Orientation'**, with items such as investing in customer loyalty programmes, research into perceptions of image and brands, and promotion of services loading on it. 'Marketing is seen as a guiding light for the entire firm', the first factor item identified in table 2.2, was alleged by only 48.09% of respondents to be part of their company's culture. Such a finding is in conformity with the various research studies, like that of Sashittal and Wilemon (1996) which acknowledges that for many small firms, marketing is perceived as being peripheral to the management function. It also concurs with the findings of Stokes and Blackburn (1999) who affirm that SMEs often give marketing a low priority compared to the other functions of their business and often regard marketing as something that larger firms do. The results of the in-depth interviews further give credit to the above whereby participants, when asked whether the business as whole was sensitive to the marketing philosophy, retort: "No, we do not value this philosophy (…) it's not important…", "(…) we are small, we don't need to follow this philosophy", or " no …it is not primordial for the good running of the business…"

In a similar vein, with reference to 'We do a lot of marketing research to assess customer perceptions of our products/services' only 44.27 % of the sample affirmed that it was part of their business culture. Such a result contradicts the findings of question 1, where it was argued that Mauritian SMEs were customer oriented. Nevertheless, such a low response is because most respondents interpreted the present statement item as formal marketing research. In this case, the low response gives support to other research studies[213], which have argued that entrepreneurs prefer more informal methods of gathering market information;[214] usually through networks of contacts involved in the industry (Carson et al., 1995).

In relation to the statement, 'We invest significantly in customer loyalty programs', less than 50% of the sample (47.91%) declared that investing in such programs formed part of

[213] For example Chaston and Mangles (2002)
[214] SMEs expressed the belief that because of its costs, marketing research was feasible only when facing a major decision (see Andreasen, 1983).

their business activity. Again, such a finding can be linked to the financial constraints characterising the small firm; as such investing in customer loyalty programs may not be considered as the priority in terms of cost expenses. However, it was recouped from in-depth interviews that SMEs make use of non-monetary means to retain their customers. For instance, while some offered after-sales service to their clients, others preferred to invest in long-lasting relationship with their customers. This is the case of one in-depth interviewee who declared, "... To keep customers, hmm …we try to maintain a long lasting relationship- based on honesty- with them".

Alternatively, others believed that in order to retain their customers, they had to ensure that they keep them satisfied. As such, many SME owners recurrently argued that, to do so, they had to serve their markets with good quality products and meet due delivery dates. Such decisions are in line with comments from in-depth interviewees such as the present one: "… to keep them loyal we keep on providing them with good quality products…" or "…we have to be reliable and honour delivery dates! As long as you respect all that, you'll have repeated customers." As a consequence, services such as just-in-time deliveries, prompt service and maintenance and customer-oriented and timely service recovery will enhance the value of the products (Grönroos, 1999).

In contrast with the other items loading on the present factor, 'We invest significantly in managing and promoting the reputation/image of our organisation/firm' reaped agreement from more than half (57.79%) of the sample. Despite its attractiveness,[215] Fiegenbaum (2003) argie that a few small businesses follow a reputation-building strategy supporting and only few managers make a pragmatic and premeditated decision to invest in building a corporate reputation as one of the primary objectives during early stages of business development. Yet, it can be argued that even if most SMEs are hindered by a lack of fund, they nevertheless make the most of what they have, like for example fashion good customer relationship through customer satisfaction and on-time delivery to manage and promote their market image.

[215] It was recouped from question 1 that Mauritian SMEs attached much importance to the management of their market image.

Even if the brand management issue was deemed important by more than half of the sample from question 1, less than 50% propounded that they invested in branding. As such, the three factor items 'We invest significantly in managing and promoting our service brands' (47.53%), 'We invest significantly in research into internal perceptions about our brand(s)' (41.06%) and 'We invest significantly in research into external perceptions about our brand(s)' (36.50%) were adopted and considered as part of their business culture by barely half of the sample. Such findings are consistent with Krake (2005) who found that in many SME companies, brand management receives little or no attention in their daily activities. Krake explicitly stated that although the owners or directors are the ones to take the lead in this area, they either seldom have the time for it or are not even aware of "brand management" as a concept, confirming hence the perceived lack of understanding of brands found in other studies. But, because such a notion is not ingrained within the small firm, there are no other employees available to give it sufficient attention.

Findings from in-depth interview support the above, except with the notable exception of one interviewee who argued, "Our promotion is that we believe in our brand, people buy brands they don't buy products. We don't sell products we're selling the company's name as a brand, you trust in us, you get the right perception that we can deliver, and then you have the purchase intention…" In this perspective, diverse authors have suggested that brands are accessible only to some SMEs.[216] Kapferer (1990 a,b) considered that brands were inaccessible to most SMEs, since: brands need a concentration of resources that the SMEs normally do not have.

Factor 3 groups together all items pertaining to use of information for timely decisions with regards to marketing intermediaries such as customers and channel of distribution members. Since the ability of small firms to gather and disseminate information impact on their profitability, this factor was labelled '**Managing Information for Profitability'**. Theorists have strongly articulated the view that investing in the creation of a

[216] See for instance, Kapferer, 1990 a; 1990 b; Keller, 1998; 2003; Bergvall, 2001; Koehn, 2001.

management information system will significantly improve the operational performance of a small firm. Furthermore Malone (1985) concludes that an information system can improve the quality of decision-making in small firms.

However, less than 50% of the sample agreed upon the use of a management information system in their business for all the four items loading on this factor. Indeed, only 46.95% and 46.77% of respondents correspondingly affirmed that their 'management information system can quickly determine the profitability of our product lines' and their management information system can quickly determine the profitability of our major customers. In a similar vein, 42.75% and 41.60% correspondingly declared that their management information system can quickly determine the profitability of our sales territories and their management information system can quickly determine the profitability of our distribution channels. Given the fact that small businesses are most of the time characterised by a management team solely composed of the owner-manger, it can be argued in this case that the manager will probably know every aspect of the business in detail, keeping his own records of useful information in his informal information system. In this end, findings of the in-depth interviews revealed that the majority of participants used their sales figure as a profitability indicator to identify their most profitable product lines, customers, sales territories and their distributors. Moreover, as mentioned previously, the limited budget of the small firm also acts as a constraining factor towards the implementation of an MIS.

Factor 4, labelled '**Customer Service Orientation**' alternatively relates to the issues that characterize a market-oriented organization. Such an organization is thought to have a strong focus on its customers, offering products and services that meet their needs, constantly adding value to the market offering and being responsive to customer suggestions and complaints while having an excellent after sales service. A close inspection at table 2.2 clearly shows that Mauritian entrepreneurs agree that having such competencies is critical to their firms.

With respect to the factor item 'We encourage customer comments and complaints because they help us to do a better job', 90.49% of the sample stipulated that they paid attention to their customers' comments. Thus, while an in-depth interviewee pointed out, "(…) from their comments, we can offer a finished product which is according to their expectations", another declared, "We do not have any strategy in place to understand their (customers) needs (…) most of the time we get to know their needs through their comments… We also take into consideration the complaints that we receive from our clients and try to satisfy them completely." In addition, one participant explicitly explained, "… It's through their comments that we can make out whether they are satisfied with our products… and if ever they are not, we'll modify our products accordingly…".

Regarding the item 'After-sales service is an important part of our business strategy', 77.57% of the respondents agreed that they integrated such a service into their business culture. Such a result illustrates, as well as, confirms the market-oriented nature of Mauritian SMEs. Respondents further explained that they provided an after-sale service as a guarantee of their companies' reliability and efficiency, which will ultimately achieve customer loyalty. Unsurprisingly, 93.92% of the sample declared that they 'strongly agree' or 'agree' that the item statement 'We have a strong commitment to our customers' was part of their business philosophy. The present result corroborates the findings of question 1 where it was found that Mauritian SMEs accord much importance to building a climate of trust with customers and fulfilling promises of customers. Survey respondents furthermore explained that being committed to their clientele will ensure customer loyalty. While one in-depth interview for instance declared, "We are flexible in the sense that we always try to satisfy the customer and for that we are ready to work at odd hours to deliver a product… particularly when the order has been placed within a very short delay..." another said, "…a well-satisfied customer will bring along many others…"

In a similar vein, 90.11% of respondents stipulated that they were always looking at ways to create customer value in their products. The finding reflects the Mauritian SMEs' knowledge regarding the importance of supplying superior value products/services to customers. Indeed, the sale of such products will supposedly lead to customer loyalty, which is the real driver of financial performance. Contrary to all expectations, the statement 'In our company marketing's most important job is to identify and help meet the needs of our customers' was perceived by 82.13% as being part of their business philosophy. In fact, while marketing as a guiding light was not an integrated part of more than half of the respondents' business philosophy, on an average of 10 respondents, 8 affirmed that they used marketing as a tool to identify and meet customers' needs. Nevertheless, since the marketing concept is made up of several components - namely: customer-orientation, competitor-oriented and inter-functional coordination – it can be argued that the Mauritian SME owners attach relatively more importance to the first component of the concept. The findings corroborate that of Mezioci (1991) who suggested that the marketing concept is part of the managerial philosophy of small business owner-managers, which emphasizes customer satisfaction, that is, offering products that truly satisfy customer and price needs.

As such, 'we measure customer satisfaction on a regular basis' was claimed by 74.43% of respondents to be part of their business culture. Such a result is in line with the findings of the in-depth interviews where it was found that SME owners attached much importance to measuring their clients' satisfaction. For instance, an in-depth interviewee remarked, "... we send a customer satisfaction survey to all our clients, and try to improve from their comments…" Yet, not every Mauritian SME can afford such costly enterprise and so the majority prefer to rely on feedbacks obtained through their clients' comments. This is further supported by the observations of the in-depth participants: "(…) from the feedback that we receive we get to know whether our clients are satisfied or not…" or "…we ask them to give us feedback about the products, if they are satisfied or not…"

Likewise, 87.83% of the sample agreed that they define quality as the extent to which our customers are satisfied with our products/services'. In this end, a respondent from the in-depth interviews argued, "We offer good quality products, if ever a client is not satisfied after a purchase for whatever reason, we are willing to take back the jewel and make modifications to meet the customer's expectations…" Such an analogy is in line with Gorelick (1993) who propounded that the quality of a product or service can only be accurately defined by the customer and that without reliable feedback from customers, the manager cannot have an accurate definition of quality.

Factor 5 was labelled '**Inter-Departmental Coordination**' as items loading on this factor reflect the importance of the marketing function being integrated with other functions in the organisation. As gathered from the literature, small firms place a high value on internal communications and typically emphasize the need for healthy interaction with and among their staff. Such proactive use of internal communications is thought to lead to improved business performance through better staff relations and good internal relations as a mechanism for gathering vital information on key activities, for key marketing decisions and to stimulate innovation. Moreover, as most relationships are handled by teams within industrial organizations (Narus and Anderson 1995) and require complex exchange, inter-functional coordination is key to serving customers.

Nevertheless, as can be seen from table 2.2, the aggregate percentage of respondents agreeing upon the use of inter-departmental activities barely made half of the sample. For example, only 44.33% of respondents agreed upon the statement 'in our firm, the marketing people have a strong input into the development of new products/services.' Such a low positive response is mainly because most small firms do not have a marketing team. In this regard, only one in-depth interview stated, "All the departments work hand in hand and (…) of course they take into consideration marketing needs." Yet, even if there is a marketing department, the development of new products or services is deemed too important to be left solely to marketing officers.

With regards to the interdepartmental function of marketing, 47.71% and 46.56% of respondents respectively agreed upon the statement 'Marketing information is shared with all departments' and 'the marketing people regularly interact with other departments on a formal basis'. Results from in-depth interviews provide a better understanding of the above. Some of the relevant commentaries are: "…. we don't pay any attention to marketing needs, that's not important," and "…we do not mix up decisions, the marketing department is solely responsible of its needs and the other departments will be responsive and sensitive to their own needs…".

Lastly, while only 42.75% of the sample affirmed that 'all departments are involved in preparing business plans/strategies', 55.73% agreed that doing a good job integrating the activities of all departments was part of their business philosophy. In this respect, an in-depth respondent stipulated "…each department has its own decision making process and it's the policy not to mix them…". However, such a high response, relative to the other items loading on the Inter-Departmental Coordination factor, may originate from the impressive manner with which the entrepreneur juggle with the resources available to his business. Since the typical small firm do not have any marketing department and have few or no staff able to formulate its marketing strategy, the entrepreneur usually have to act as the general manager, the production manager, the accountant, and the marketing officer, to name but a few. Hence, integrating the activities of the various departments is an easy task for the entrepreneur. Such an analogy is congruous with Say's (1828) findings that recognised the role of the entrepreneur as a coordinator.

Factor 6 shows, on the other hand, the extent to which the organisation is market driven, that is, its ability to respond to changes in customer preferences, competitors' price changes, and whether product/service development is market driven or internally driven by employees including the entrepreneur. It indicates whether the marketing strategy of the firm is proactive or reactive to market changes. Hence such a factor was labelled '**Market Driven Orientation**' of the firm.

53.05% disagreed upon the statement item 'We are slow to detect changes in our customers' preferences' as being part of their business culture. In a similar vein, 51.53% of the sample did not agree with the statement 'Somehow we tend to ignore changes to our customers' product/service needs'. It can be argued, in this instance, that given their proximity to the market, they can better identify changes in marketing trends, consumer demand and a host of other areas more easily than large firms, and therefore are usually quicker to react. Likewise, 66.41% declared that 'customer complaints did not fall on deaf ears in their firm'. Such a finding further supports the results pertaining to the Customer Service orientation factor, which revealed that 90.49% of the sample encouraged customer comments and complaints to do a better job. This supports the comments of Sanchez-Marin (2005) who argued that what compensates the weaknesses[217] characterising SMEs is their ability to be more flexible given the simplicity of their internal procedures which help them respond faster and adapt better to changes deemed appropriate and important.

Lastly, while 38.02% of the sample declared that the products/services they sell were determined more by market needs than internal politics, most respondents had mixed feelings (Mode=3) on this issue. Results of in-depth interviews however point at the product orientation of small firms where for instance one in-depth participant declared " We control them (…) it's a kind of imperialism if you want. WE choose for them. WE produce new models and through these new models we are telling that it's time to wear these new products. This is because we sincerely think that our clients are not potentially apt to decide by themselves the kind of jewellery they want. (…) Usually we decide for them, no need for their comments (…) So We manufacture first, and then find customers for them."

The items loading on factor 7 indicate the ability of the marketing department or those employees involved in marketing to disseminate the right information to other departments, thereby leading to this factor being named **Information Sharing Orientation**. It is to be noted that there is a strong correlation between factor 7 and factor 5 which may suggest that, if there is good interdepartmental coordination within the firm, information sharing becomes easier.

The first and second factor items 'We regularly have inter-departmental meetings to discuss market trends and developments' and 'Our marketing people regularly discuss customer needs with other departments' were respectively claimed by only 33.72% and

[217] These difficulties met by small and medium enterprises (SMEs) are greater because their economies of scale and their resources are less than those of large firms.

31.42% of respondents to form part of their business culture. In this respect, an in-depth interview declared "…we do not even have a marketing department; as for the other departments, they just keep on doing the specific jobs for which they were created for and putting the customer first was not one of them". This is in line with the findings from Factor 5, which revealed that interactions between departments were inexistent.

Surprisingly, only 31.03% of the sample agreed that customer satisfaction data were regularly distributed to all departments. Such a low percentage response may be because small firms do not have the adequate finance to invest in the collection of customer satisfaction data. This is in sharp contrast with the earlier findings of this study, which revealed that Mauritian SMEs attached much importance to customer satisfaction. It can however be argued that owner-managers do not have to share information on customer satisfaction because as soon as their clients are dissatisfied with their products, they ensure that the clients' complaints are catered for as quickly as possible. Additionally, the relative low response rate can also be attributed to the quasi inexistence of departments in small firms. As highlighted by Verhees and Meulenberg (2004), the dissemination process in smaller firms is often unnecessary because the person who is likely to use the information to respond to the market is also the person who has generated the information: the owner/manager.[218]

Factor 8 shows the ability of the small firm to identify market trends, which correlates well with Factor 2. If the small firm has good marketing research capabilities, it should be able to identify market trends. The items loading on Factor 8 indicate how SMEs monitor and control the external environment to identify opportunities or minimise threats. Consequently, this factor was labelled 'Market Trends Identification' for the small firm.

The first factor item 'Frontline staff interacts directly with customers to see how we can serve them better' was identified by 67.68% of the sample as being an integral part of

[218] As Krake points out, managing marketing activity is very different where there is a department of 25 people compared to the owner/manager doing his or her own marketing.

their business culture. The result highlights one of the different informal ways by which small firms gather market information so as to improve their products and services. In a similar vein, 80.92% of the sample asserted that if they find out that customers are dissatisfied with the quality of their products/services, they would immediately take corrective action. Such an analogy is further supported by the 70.34% of respondents who argued that they regularly check their product/service developments to assess whether they are in line with customer needs', reflecting hence the flexibility of SMEs which allows them to adapt to, react to and anticipate changes in their environment.

In this respect, 66.54% of survey participants declared that regular reviews of the likely effect of changes in their business environment formed part of their business philosophy. Such a result is consistent with the findings from in-depth interviews where it was recouped that Mauritian SMEs were very attentive to how changes in their external environment especially changes regarding fiscal policies would impact on their business.

Factor 9 labelled '**Communication Orientation**' shows, on the other hand, the propensity of 'communication failures' in SMEs. With respect to the factor item, 'There is minimal communication between marketing and other departments about market developments', most survey participants had mixed feelings on that particular matter (Mean=3.20, Mode=3). However, it is worth noting that 32.95% of respondent thought otherwise, and declared that the marketing department and the other departments of their business worked together on issues pertaining to market developments. In a similar vein, the second and last factor item, 'When one department finds out something about a competitor, it is often slow to alert other departments' showed mixed results (mode=3), with 34.87% of the sample of SMEs contesting that this was not the case. However, the general finding provides support to the earlier results of this study where it was found that in general interaction across departments were minimal.

Factor 10 indicates the extent to which a firm is responsive to market changes in a timely manner, and was hence labelled '**Market Responsiveness Orientation**'. The factor item 'If a competitor launches a programme targeted at our customers we'll react immediately' was found to be within the business culture of 53.44% of respondents. Likewise, 46.18% of the sample affirmed that there were quick to respond to significant changes in their competitors' pricing. It can be implied from the above, that even if SMEs were not much competitor-focused, they were nevertheless aware of their competitors' new launching and pricing strategies. Such a finding corroborates the findings of prior studies where it was argued that because most SMEs operated in highly competitive markets where they did not have any other choice than to adjust their price to that of their competitors.

Question 3: Concepts in marketing

A company's business orientation consists of those underlying philosophies that determine the nature and scope of its activities and plans (Miles and Arnold, 1991). In this respect, many researchers have investigated alternative business orientations including product, production, selling, market, and societal orientations to understand how businesses were conducted.[219] The objective of question 3 is to identify which marketing logic (the different marketing philosophies) is mostly adopted by Mauritian SMEs. However, it should be noted that the different strategic orientations might better fit certain environments, suggesting that there is no best marketing philosophy. The results of question 3 are shown below; an analysis of variance was also carried out between the different business philosophies and other important elements such as overall customer loyalty, overall marketing competitiveness, overall strategic orientation, overall perceived future and demographics.[220]

	Production Concept	**Product Concept**	**Selling Concept**	**Marketing Concept**	**Societal Marketing Concept**	**Relationship Marketing Concept**
N	263	263	263	263	263	263
Mode	2	2	2	2	2	2
Mean	2.03	1.80	2.02	1.85	1.91	1.76
Std. Deviation	0.924	0.696	0.854	0.734	0.800	0.783
Strongly Agree	32.7	35.0	27.8	31.9	27.8	31.9
Agree	38.8	51.7	48.3	53.6	48.3	49.0
Neither agree nor disagree	22.4	12.5	20.2	12.5	20.2	16.3
Disagree	4.9	0.4	1.9	1.1	1.9	1.5

[219] See for example Doyle 1987, Payne 1988, Pearson 1993, Liu 1996, Fritz 1996, Liu and Davies 1997.
[220] It is to be noted that only statements with significant p-levels (5%) will be discussed.

Strongly disagree	1.1	0.4	1.9	0.8	1.9	1.1

Table 7.3.8 SMEs and Concepts in Marketing

It can be recouped from table 3.1 that on average entrepreneurs were product oriented (Mean=1.80). 86.7% of the SME sample agreed that the key to business success lies in developing products that offer the most quality, performance and innovative features. Such a result corroborates the findings of Donckels et al (1990), which reveal a strong product orientation among small firms.[221] In addition, it provides further support to the findings from in-depth interviews where it was established that SMEs tend to operate using the product concept, that is develop products first and then search for markets. In this respect, one in-depth interviewee declared, "… more often than not, we produce first and then wait for customers …".

The above also provides testimony to the earlier findings from question 2 where it was found that more than 50% of the sample was driven by internal politics when deciding on the product or service to be sold. As in-depth interviewee argues, "WE choose for them. WE produce new models and through these new models we are telling that it's time to wear these new products. This is because we sincerely think that our clients are not potentially apt to decide by themselves the kind of jewellery they want."

However, the inherent danger, in this case, resides in the fact that because the product-oriented firm will refuse to change its ideas or product; it may neither create much value for the consumer in terms of customer satisfaction or additional product benefits. As such, product-related factors have been argued to be primary reasons for small business failure in small firm studies (cited by Jones et al, 2005). This is why many researchers have propounded a more consumer-oriented philosophy or market orientation to achieve long-term success.

[221] These findings are also consistent with Reynolds et al (1994), MacGregor et al (1998) and Bunker and MacGregor (2000).

In this perspective, respondents tend to strongly agree that the marketing concept (85.5%) is equally important today.[222] In this respect, they consented that the key to business success also involved the integration of all company activities and personnel towards customer satisfaction. Such an analogy concurs with findings from in-depth interviews where one in-depth interviewee accordingly stated, “We look for the customer first; (…) we then produce according to his specification”, another one explicitly explained, “We give top priority to the orders that we receive and so we produce according to the specification of the clients. (…) A decade ago, we were the one who would be choosing for our clienteles, for example, we used to manufacture T-shirts in different fashionable colours and then offer the products to the market. (…) Now it’s the way round, the clients come forward with suggestions…”.

It can be seen however, that respondents were almost equally as likely to use a market focus or a product focus during the course of their operations. Thus, market orientation and product orientation are not necessarily mutually exclusive alternatives, as suggested in the marketing literature.[223] The findings from in-depth interviews also demonstrated that respondents pursued both business philosophies. It was found that while small businesses were product-focused, they simultaneously argued that they considered the needs and desires of their customers through order placements.

Hence, it can be argued that the product orientation emphasized by local SMEs depart from Kotler's (1988) view of product orientation as the opposite of market orientation[224]. Such an analogy gives strong support to Harmsen et al. (2000) who considered product orientation as a supplement to market orientation and argued that the former was related to the product manufactured with an emphasis on pride of craftsmanship and objective product quality among others. Hence, such type of product orientation will improve

[222] These findings concur that of the UN/ECE Secretariat (1997), which showed that many SMEs were more product oriented than market oriented.
[223] See for instance Kotler (1997) and Doyle (1998).
[224] Likewise, Parkinson and Chambers (1998) found that market orientation and quality orientation were complementary rather than contradictory orientations. Wong and Saunders (1993) also found that their better performers achieved a dynamic balance between market and product orientation.

performance insomuch as it satisfies customer needs especially for the customers, which seek product quality.

Alternatively, relationship marketing was perceived by 80.9% of the respondents as essential to business success. Such a result corroborates the various commentaries obtained from in-depth interviews. For instance, in describing the marketing philosophy of his firm, an in-depth interviewee declared, “the company’s main focus is on the relationships we have with our industrial customers…” Likewise, another in-depth participant stated, “We have a CRM set-up, we believe in genuine customer relationship, when you came in just now, the lady is a cleaner but she’s trained to receive people, I don’t know if she smiled to you, she’s trained for this.”

The societal marketing concept was also identified by 76.1% of interviewees as an important philosophy. SME owners stipulate that business success also mean engaging in effective transactions with various publics," including target customers, the public at large, suppliers, governmental agencies, and special interest groups. Such an analogy reflects the opportunistic entrepreneurs identified by Smith (1967) who exhibit high levels of social awareness and have high social involvement. They tend to be highly oriented towards the future and the growth rate of their company. In this respect, the analysis of variance demonstrates a positive significant relationship between societal marketing and overall perceived future ($p<0.05$).

In a similar vein, 76.1% of the sample agreed upon the importance of the selling concept nowadays. Similar to product orientation, it can be argued that although SMEs are sales driven, they do actually focus, to a large extent, on the needs of the customer. Lastly, the production concept was respectively viewed by 71.05% of respondents as being of very important for business success. Such a result is in line with Siu and Kirby (1999a) who found that successful Chinese small firms were more sales than production-oriented in approach. The reason propounded by local SME respondents as to why the production concept was primordial to business success was that of cost reduction. They explicitly explained that in order to remain competitive, they had to produce good quality products and services at a reasonable price.

7.3.3.2 Findings 2: Marketing Competitiveness

Question 4: Globalisation And Competitiveness Of Smes

The increasing internationalisation and globalisation of business has led many firms to reconsider what contributes to their competitive advantage (Rundh, 2005). In the case of the small firm, the literature on small firm internationalisation points at how the changing environment influences the development and survival of smaller organizations. It was argued that, increasingly, small firm managers have to cope with global as well as local competitive dimensions. Consequently, small companies cannot compete successfully by blindly duplicating the strategies and practices of large companies. Akimova (2000) has argued that competitive companies must produce and deliver products and services that meet customer needs and wants. In order to provide their customers with greater satisfaction than their competitors are able to do, companies must reduce production cycles and costs, improve the quality of products and services, their relationships with suppliers and customers, and re-examine their organisational systems in order to respond any change in customer preferences as fast as possible (Johnson, 1992; Hammer and Champy, 1993).

Data were collected on a 5-point scale ranging from "1 = Very high impact, to 5 =No impact at all" to examine the impact of the globalisation process on the different marketing issues pertaining to Mauritian SMEs. A factor analysis, as well as, some preliminary analysis of the data was conducted on all nineteen statements (see table 7.3.9 and 7.3.10) to see if it could be simplified.

Factor and items	Factor Loading	Eigen values	% Of Explained Variance	Cronbach's Alpha
Factor 1: Marketing mix offering items[225]		12.069	35.776	0.9472
Speed of reaction to customer needs	0.8582			
Product quality	0.8581			
Company brand image	0.7629			
Contacts with industry suppliers	0.7281			
Product range	0.7275			
Cost advantage	0.7169			
Product performance	0.6997			
Attraction and retention of customers	0.6746			
Competitive pricing of your products/services	0.5608			
Marketing planning	0.4433			
Factor 2: Marketing mix methods and tools items		1.314	34.661	0.9949
Advertising	0.8809			
Other promotions	0.8393			
Marketing information gathering	0.7897			
Marketing research	0.7763			
Packaging	0.6955			
After-sales service	0.6188			
Distribution coverage	0.6076			
Personal selling	0.6032			
Product design	0.5985			
Total Variance Explained			70.437	

Table 7.3.9: Factor analysis of impact of the globalisation process on the different marketing issues pertaining to Mauritian SMEs

Two factors emerged from the principal components with varimax rotation that explained 70.43% of the variance and with Cronbach alphas > 0.9. The first factor included ten statements each pertaining to the offering (product, packaging, brand, price, service) and was as such labelled **Marketing mix offering items**. Conversely, the second factor was found to encompass the different methods and tools of marketing variables (distribution channels, personal selling, advertising, sales promotion and publicity) and was hence termed **Marketing mix methods and tools items**.

In order to ensure the validity of factor analysis, the Bartlett test of sphericity (BTS) and Kaiser-Meyer-Olkin (KMO) test of appropriateness were carried out. The results of the BTS indicated that the data was appropriate for the purpose of factor analysis ($p<0.000$).

[225] See Frey (1961)

Statistically, this means that there are significant relationships between the variables and that they can appropriately be included in the analysis. Moreover, the result of sampling adequacy of 0.949 reflects a high level of sampling adequacy. Additionally, a table showing the different descriptive statistics relating to question 4 was generated to provide a better understanding of the results depicted in table 7.3.9.

	Very high impact	Moderately high impact	Neither high nor low impact	Moderately low impact	No impact at all	N	Mean	Mode
Competitive pricing of your products/services	25.95	32.82	22.14	10.69	8.40	262	2.43	2
Product quality	25.19	31.30	21.76	12.60	9.16	262	2.49	2
Speed of reaction to customer needs	20.23	36.26	24.43	9.54	9.54	262	2.52	2
Company brand image	14.94	32.18	30.27	11.11	11.49	261	2.72	2
Personal selling	10.31	23.66	36.26	13.36	16.41	262	3.02	3
Product range	14.12	37.40	28.24	7.63	12.60	262	2.67	2
Contacts with industry suppliers	14.56	30.65	33.33	9.20	12.26	261	2.74	3
Distribution coverage	9.23	30.38	35.38	9.23	15.77	260	2.92	3
Marketing research	4.98	25.67	41.76	11.49	16.09	261	3.08	3
Product performance	14.56	32.95	24.14	14.56	13.79	261	2.80	2
Cost advantage	17.62	35.25	27.97	8.81	10.34	261	2.59	2
After-sales service	11.20	28.19	28.96	12.36	19.31	259	3.00	3
Advertising	8.85	20.38	36.15	11.92	22.69	260	3.19	3
Other promotions	9.16	22.90	36.26	10.31	21.37	262	3.12	3
Product design	12.98	32.82	29.01	9.16	16.03	262	2.82	2
Marketing information gathering	4.21	22.61	41.00	12.64	19.54	261	3.21	3
Packaging	9.16	22.52	32.44	12.60	23.28	262	3.18	3
Attraction and retention of customers	17.94	35.88	25.19	10.31	10.69	262	2.60	2
Marketing planning	10.31	25.19	39.69	7.63	17.18	262	2.96	3

Table 7.3.10: Frequency table of impact of the globalisation process on the different marketing issues pertaining to Mauritian SMEs

In this respect, table 7.3.10 reports that the overall response rate for those that affirmed that globalisation has impacted on the different statement items of question 4, was surprisingly around 50%. Such a result can be explained and supported by the findings from in-depth interviews, which revealed that some respondents were of opinion that the globalisation did not, and that up to now, have any impact on their business.

With regards to the Marketing mix offering items, 56.49% of the sample reported that globalisation had a very high to a moderately high impact on the speed with which they reacted to their customer needs (mode=2). It can be argued in this case that because all businesses need to adapt to changing environments and changing customer needs, the small firm aims at gaining a competitive edge through differentiation by fulfilling the needs of its customers rapidly. Such a finding corroborates the small business literature on the flexibility of small firms and their closeness to their customers.[226] Moreover, since small firms usually have a loose organizational structure, the information flow and decision making is faster, hence providing a more flexible way of working which in turn increases the company's ability to deliver value to each customer. As such, Bjerke and Hultman (2002) have argued that this affects the speed of reaction to changes in customer preferences; thereby explaining why small firms tend to react faster than their larger competitors.

Conversely, only 47.13% of respondents argued that the globalisation process has affected their 'company brand image'. The trivial importance given to branding in question 2 may partially explain the above findings. It can be argued that the advent of globalisation did not trigger small businesses' interest in brand management since the reported impact of the former on the latter was not significant. Alternatively, only 51.53% of the respondents confirmed that their product range has been affected by the liberalisation of markets. While only few respondents within the given sample claimed that they were engaged in internationalisation, the majority still had a focus on the local market. As such, the product range was almost the same because the targeted market did not change. Such a finding is in line with Burns (2001) who declared that small firms generally operate in a single market or a limited range of markets to which they will most likely offer a limited variety of products or services. Moreover, the findings from in-depth interviews also provide an explanation as to why they rarely change their product range. For instance, one in-depth participant stated, "Likewise, we don't change our products frequently because it'll take time for our workers to assimilate new production stages and the end result will be a reduction in the production volume."

[226] See Bjerke and Hultman, 2002; Kenny and Dyson, 1989.

As regards to product performance, 47.51% admitted that globalisation has had an effect on the success of their product in the market place. The above can be linked with the overflow of low-cost imported goods that is submerging the local market, which has, as a result, impinged on the product performance of local producers. Likewise, 53.82% avowed that the increasing number and range of cross-borders transactions have affected 'Attraction and retention of customers'. This is the case of one producer of dental equipments who declared during the in-depth interviews, "Yes, it (globalisation) has had an impact (…) *HOW?* (…) We've lost some of the domestic market share because … (of the) given preference to imported dental equipments over ours." In a similar vein, this perfume producer asserted, "… the toppling down of tax barriers, have incited foreigners to enter this market…which has resulted in an overall decrease in our number of customers."

58.78% of respondents stipulated that the advent of globalisation impacted on the competitive pricing of their products/services[227]. The findings of in-depth interviews have shown that the toppling down of trade barriers has had an adverse effect on the performance of the majority of respondents. The latter explicitly explained that the submersion of the local market by relatively cheaper imported products has worsened their financial performance. For instance, one in-depth respondent declared, "… as a local producer, I believe that we are at a disadvantage compared to other countries... While some countries are endowed with abundant raw materials and hence their local producers can buy them at a low price, we have to import these raw materials, and this will definitely cost more because of freights and so on…so this lead to high production costs, leading to a considerable reduction in the number of clients because our prices are not competitive…" Another participant further stated "(…) There are many imported products on the market…we cannot compete with Asian producers because the price they charge is well below ours (…) this has resulted in a loss of market share and so now we try to be different via quality..."

[227] Competitive pricing reflects the ability of an organization to compete against its major competitors based on low price (Miller, De Meyer and Nakane, 1992).

Likewise, 56.49% of the respondents acknowledge that the quality of their products has been affected by the liberalisation of markets. By way of explanation, the aforesaid participants affirmed that they have had to upgrade their product quality to be on an equal footing with their international competitors. Indeed, both producers and consumers never compromise on the quality of products and services. As a result, manufacturers and service organizations have to demonstrate their ability to continually provide quality products and services.

Alternatively, 52.87% stated that globalisation has had an effect on their cost advantage. This again highlights the need for small local firms to target niche markets that are sheltered from major competitors. Such a finding is in conformance with one in-depth interviewee argument: "… the days of mass production are over – People are for customized products. When you're competing on the global market, you can find for yourself, especially for a small producer like Mauritius, typical niche market whereby we're strong, where we are 'cheaper'. When I say cheaper, it's a combination of better, faster, cheaper…".

On the other hand, the majority of respondents reported that the impact of globalisation on both 'Contacts with industry suppliers' and 'marketing planning' was moderate (Mode =3). Nevertheless, 45.2% of respondents disclosed that the advent of globalisation has highly impacted on their network of industry supplier. In light of the high cost of undertaking a market research, it may be argued that local SMEs have had to rely more extensively on both their international and local industry suppliers to gather market information to be able to compete in this globalisation era. The results from in-depth interviews showed that networking allows them to develop new products (17.2%), improve production processes (10.3%), acquire the latest technology (3.4%), improve current products (10.3%), and to identify market opportunities (6.8%).

In addition, although 39.69% of respondents pointed at the moderate impact of globalisation on their marketing plans, another 35.50% argued that market liberalisation has had a very high to a moderately high impact on the marketing planning of their firms.

A cross tabulation between this factor item and question 23 revealed that those respondents who reported to have a 'very frequent' to 'somewhat frequent' international exposure were among those who argued that their marketing planning has been adversely affected as a result of globalisation. Such an analogy gives support to the commentary of this in-depth interviewee who declared, "A (marketing) plan will be important when we'll be expanding the business…"

Relative to factor 1, *almost all* the statement items loading on **factor 2** have been moderately affected by the globalisation process (mode =3). Such a result can be associated with the earlier findings of question 1, which identified promotional tools and marketing research as being peripheral to SMEs. Hence, because small firms do not engage massively in advertising campaigns or in in-depth marketing research, the impact of globalisation on such variables can only be moderate or not at all. For instance, while only 29.23% of the sample conceded that the influence of globalisation on 'advertising' was very high to moderately high, 34.62% of respondents contradictorily explained that globalisation did not in reality have any impact on their advertising policies.

With regards to 'personal selling' however, 33.97% of respondents stipulated that their face-to-face communication with customers has been affected by globalisation. It can be argued in this case that because small firms mainly use personal selling to communicate with their target audience (Borden 1964, Jackson and Parasuraman, 1986 and Nilson, 1994), local SMEs have had to augment their face-to-face interactions with prospective purchasers so as not to lose their market share.

On the other hand, 39.38% and 39.62% of the respondents correspondingly avowed that globalisation has had an effect on their 'After-sales service' and 'Distribution coverage'. Alternatively, with respect to 'Marketing information gathering' and 'Marketing research', only 26.82% and 30.65% of the respondents respectively claimed that globalisation has had a 'very high' to 'moderately high' impact on the above-mentioned items. The low response rate pertaining to marketing research can be associated with the findings of past studies notably that of Curran (1988) which demonstrated that few small firms tend to engage in marketing research because of their high costs. Similarly, the results of 'Marketing information gathering' corroborates that of question 2 where it was found that local SMEs did not pay any attention to marketing information, because they did not deem it to be important.

However, the notable exception of the factor item 'Product design' (mode=2) is to be highlighted here. In this regard, 45.80% of the sample reported that the toppling down of international barriers has had a 'very high' to 'moderately high' impact on their 'product design'. This is in line with the study of Beyene (2004) who found that only 50% SMIDO members have tried to change the design of their products. Such a finding corroborates the results of in-depth discussions, where for instance, one participant stated, "As said earlier, the local market is demanding, we cannot offer the same bags all along, for instance in the case of handbags we change model as frequently as possible." By way of explanation, one in-depth interviewee argued, "…we have to innovate to keep and attract new customers…".

Nevertheless, there remains a certain degree of scepticism regarding the results of the factor item packaging, regarded as a significant aspect of the product component (Wolfe, 2000). In this respect, the marketing literature stipulates that, for some companies, the package can make the difference, implying that an innovative packaging can change the product perception and create a new market position. More explicitly, some researchers like Rundh (2005) affirmed that entrepreneurship in packaging issues could be the difference in the marketplace. In this respect, during in-depth interviews one food manufacturer declared, "(…) We have innovated in this way because we wanted to increase our sales volume, so we thought that we had to be more professional and so we have designed an attractive package." However, 35.88 % of SMEs asserted that the impact of globalisation on their product packaging was moderately low to 'no impact at all'. It can be argued that most local small firms do not recognise the importance of packaging as a strategic and marketing tool for their business; this perhaps explains why only one-third of the SME sample affirmed that globalisation has had an influence on that particular aspect.

Question 5: Mauritian small firms' adaptability to globalisation.

The ability to adjust to changes in their environment is an essential characteristic of company's competitiveness (Akimova, 2000). Such a notion of on-going adjustments would seem especially relevant for small businesses (Schindehutte and Morris, 2001). Nevertheless, improving quality, price or service will be pointless without knowing what kind of adjustment is relevant in competitive terms. As such, adaptation relates to the actions of the entrepreneur and his team in processing information inputs from the environment and making rapid adjustments to this feedback.[228] It involves, as such, changes in strategic behaviour, so as to improve competitive posture and to achieve a better fit between the organization and its environment. While the viable firms may be able to face any change in demand, the stiffening of budget constraints and increasing competition by adjusting their activity to a new market requirement, non-viable ones may go bankrupt.

Using a similar literature underpinning to Questions 4, Question 5 provides a more in-depth description of the different type of adjustment strategy that Mauritian small firms have devised in response to globalisation. Data were collected on a 5-point scale ranging from "1 = Strongly agree, to 5 =Strongly disagree" to identify the different strategies of local small firms. Factor analysis was also applied to measure the construct validity and to highlight the sets of correlated variables. The results of the aforementioned analysis contained in Table 7.3.11 produced a three-factor varimax rotated solution, concerning the degree to which local SMEs have adjusted their strategies in response to globalisation.

Factor and items	Factor Loading	Eigen values	% of Explained Variance	Cronbach's Alpha
Factor 1: Marketing Planning & Marketing Mix		7.950	24.807	0.8246
You had to reduce product lines.	0.7083			
You had to increase market research.	0.6221			
You had to increase promotional activities.	0.6434			
You had to broaden sales force responsibility.	0.5444			

[228] Stoica and Schindehutte (1999).

You had to re-examine distribution channels.	0.7935			
You had to reduce sales force.	0.7564			
You had to change marketing planning.	0.8449			
Factor 2: Pricing Strategy		1.832	19.321	0.8481
You had frequent price adjustments.	0.7931			
You had to provide extra service to justify higher prices.	0.7279			
You had to practice competitive pricing to maintain customers.	0.8365			
You had to provide more discounts to customers to move slow products.	0.6754			
Factor 3: Market & Product Development & Profitability		1.218	16.978	0.888
You have put stronger emphasis on profit margin.	0.6871			
You tried to increase sales volume.	0.7153			
It provided you with an opportunity to capitalise on new markets.	0.5370			
You were forced to stay ahead of new competitors.	0.6039			
You had to carry marginally profitable products to satisfy customers.	0.4063			
You had to invest more in technology.	0.4825			
You had to introduce new products.	0.6087			
Total Variance			61.107	

Table 7.3.11: Factor analysis of Mauritian small firms' adaptability to globalisation variables

Factor 1 contained what might be termed **Marketing Planning & Marketing Mix** because it encompasses some dimensions of the product mix, promotional mix, distribution and aspects of the marketing plan. Questions that loaded highly on factor 2 seem to be related to pricing issues and was hence labelled '**Pricing Strategy'**. The third and last factor was named **Market & Product Development & Profitability** and included various issues pertaining to product introduction, new markets and profitability.

The KMO measure was 0.896 and the Bartlett's test of sphericity was significant, that is, its associated probability was less than 0.05, implying that the correlation matrix was not an identity matrix. Moreover, the Cronbach's alpha coefficient showed that it was greater than 0.7, indicating good reliability.

	Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**	**N**	**Mean**	**Mode**
You have put stronger emphasis on profit margin.	17.18	49.24	26.72	5.73	1.15	262	2.24	2
You had frequent price adjustments.	16.09	49.04	23.75	8.05	3.07	261	2.33	2
You had to provide extra service to justify higher prices.	14.50	40.08	33.21	8.40	3.82	262	2.47	2

You had to practice competitive pricing to maintain customers.	16.03	43.51	25.57	10.31	4.58	262	2.44	2
You tried to increase sales volume.	20.99	53.44	20.99	3.05	1.53	262	2.11	2
It provided you with an opportunity to capitalise on new markets.	10.31	42.75	35.50	8.02	3.44	262	2.52	2
You were forced to stay ahead of new competitors.	9.96	38.70	41.76	7.28	2.30	261	2.53	3
You had to carry marginally profitable products to satisfy customers.	10.73	45.98	35.63	6.13	1.53	261	2.42	2
You had to invest more in technology.	17.56	41.22	30.15	7.63	3.44	262	2.38	2
You had to reduce product lines.	3.45	28.74	45.98	16.86	4.98	261	2.91	3
You had to introduce new products.	14.89	51.15	27.10	4.58	2.29	262	2.28	2
You had to increase market research.	7.66	32.95	43.30	10.73	5.36	261	2.73	3
You had to provide more discounts to customers to move slow products.	11.88	39.46	33.33	9.96	5.36	261	2.57	2
You had to increase promotional activities.	8.02	29.77	42.75	13.36	6.11	262	2.80	3
You had to broaden sales force responsibility.	11.07	42.75	33.21	9.54	3.44	262	2.52	2
You had to re-examine distribution channels.	5.75	33.33	38.31	16.09	6.51	261	2.84	3
You had to reduce sales force.	5.38	25.00	46.54	13.46	9.62	260	2.97	3
You had to change marketing planning.	3.82	29.77	46.56	11.83	8.02	262	2.90	3

Table 7.3.12: Frequency table of Mauritian small firms' adaptability to globalisation variables

All the factor items loading on Factor 1 reported a notably low aggregated percentage response, even if the scales 'strongly agree' and 'agree', as well as that of 'strongly disagree' and 'disagree' have been merged (as explained in the Methodology Chapter). As such, only 32.18% of respondents agreed they had to reduce their product lines in response to globalisation. This reinforces the findings of question 1, which revealed small firms' unwillingness to delete their weak/slow products, highlighting hence the ineffective product management and the lack of strategic direction among local small firms. Alternatively, 40.61% of the SME sample avowed that they have had to adjust their strategy by increasing their market research. Such a low percentage response corroborates that of other research studies[229], which showed that due to time and financial

[229] For example, Stokes (1999).

constraints, few entrepreneurial organisations tend to engage in market research, but instead make excellent use of the networks of relationships in which they are embedded. One of the SMEs' weaknesses is the lack of information on market opportunities and their inability to allocate sufficient financial resources to exploit these opportunities effectively.

Not surprisingly, only 37.79% of the sample affirmed that they have had to increase their promotional activities to respond to the threat of globalisation. Such a low response rate is because SMEs viewed promotional activities as an additional cost that they simply cannot afford. In addition, the outright misbelief of SMEs towards the efficiency of costly promotional campaigns may also explain this low percentage response. Such a finding contradicts Ellis and Jolibert’s (1991) study, which revealed that surviving SMEs were those that made greater use of publicity and promotional tools. Alternatively, with respect to ‘you had to re-examine distribution channels’, only 39.08% of respondents affirmed that they have had to bring changes to their distribution channels.

Even if 35.50% of respondents affirmed that their marketing planning has been affected by globalisation, only 33.59% avowed that they have had to alter their marketing planning as a consequence. Such results correspond to the earlier findings of this study, which revealed that few small firms had marketing plans, which consequently explains this low percentage response. With respect to the ever-changing environment in which local SMEs are evolving, 53.82% divulged that they have had to broaden their sales force responsibility. It can be argued that the increase in imports as a result of globalisation has had a negative impact on SMEs. As a result, business owners have had to delegate greater responsibility to their sales division to target existing and prospective clients.

With regards to **Factor 2, Pricing Strategy**, 65.13% of respondents declared that they have had to make frequent price adjustment as a result of globalisation. Findings from in-depth discussions revealed that price changes were mainly due to external influences, namely increases in the cost of raw materials, and that apart from the aforementioned rise in materials, owner-managers preferred to keep their price stable. In this respect, one in-depth participant declared, “The price that we charge is a competitive one; we do not change it often unless there's a rise in the cost of raw materials..." In a similar manner, another respondent argued, "We haven't changed the price of our products, because if we do customers will think that we are not reliable… there's a kind of psychological price…" This is in contrast with the flexible nature associated with pricing in many small firms highlighted in the small business literature, but is arguably an indicator of local SMEs' control and conviction over their pricing policy.

As such, more than half of the sample (59.54%) avowed that they have had to practice competitive pricing to maintain customers. As way of explanation, one in-depth interviewee declared, "…we seldom change the price of our products because we have to remain competitive. Additionally we pursue a stable price policy (…) We believe that frequent price changes will drive our customers away (…) If we have to increase the price it will be mainly to reflect a rise in the cost of raw materials." Alternatively because of the overflow of imported goods, 54.58% of participants have had to provide extra service to justify higher prices. This is in line with the pricing literature related to small firms, which divulged that an important consideration for small firms is to offer value for money. Information gleaned during in-depth discussions supports the above. For example, a manufacturer of rattan-related products stipulated, "We ensure that it is a competitive one…but it will also depend on the clientele (…) for example, for hotels, they want value for money products … hence, the price is higher because the quality is better (…)"Yet, as the relative prices of their products fell due to increasing foreign competition, 51.34% of the sample affirmed that they have had to provide discounts to customers to do away with products with inelastic demand.

With regards to the last factor, **Market & Product Development & Profitability**, 74.43% of the sample alternatively declared that they have had to increase their sales volume. Some of the respondents further explained that they had to provide discounts or decrease their prices to increase sales. Contrastingly, only 53.05% of respondents affirmed that globalisation provided them with an opportunity to capitalise on new markets. The result of question 24, which relates to the different motives towards internationalisation, gives a better insight of the above findings. It was gathered from

SME respondents that the globalisation process have increased market access and cheaper raw materials sources. Such results concur with the remarks of Morris and Lewis (1995) who propounded that smaller structures appear to be more skilled at capitalizing on opportunities triggered by environmental change. Organizations with such structures are more capable of identifying potential opportunities, reallocating resources, shifting managerial commitment quickly and developing products, services and/or processes to capitalize on strategic opportunities that result from changing environmental conditions (Foster, 1986; Waterman, 1987).

On the other hand, only 50% of the sample (48.66%) felt they were forced to stay ahead of new competitors. This gives support to the earlier findings of this study where the local small organizations considered were aware of competing firms, but chose to follow their own path. It can thus be argued that the globalization process has not really affected the competitor-orientation of local SMEs. However, with respect to the statement item 'You had to invest more in technology', 58.72% asserted that they have had recourse to new technologies to have a cutting edge over their foreign and local competitors. Technology is deemed to significantly impact on a company's ability to compete successfully on the international market (Observatory of European SMEs, 2003). Such findings are in line with Beyene (2002) who rightly pointed out that as more Mauritian SMEs operate in the global market, they would have to resort to technological tools.

Lastly, 66.03 % of respondents avowed that they had to introduce new products in response to globalisation. This gives support to the literature on SMEs, which suggests that small firms are more inclined to utilise product innovations as a means of competitive strategy. Since they do not have the strategic advantages that size brings alongside,[230] SMEs are more likely to invest in such types of innovation that larger firms cannot provide because it is often the only way for them to remain competitive (Fritz, 1989).

[230] These advantages include for instance, economies of scale, learning curve effects, diversifications and investments in new projects.

Question 6: The degree of future adaptation of SMEs to their turbulent environment

Researchers[231] in organizational strategy have often emphasized the importance of aligning strategy with the environment. The value of an environment-strategy fit is, according to Chan, Yung and Burns (2000), to create competitive advantage in the marketplace, a condition not only for the survival but also for a firm's success. However, Schindehutte and Morris (2001) posit that the extent to which small firms actively strive to adapt over time is less clear.

Pfeffer and Salancik (1978) define future adaptation as the ability to change and the discretion to modify actions. Question 6, hence, examines the future levels of adaptation that Mauritian SMEs intend to carry in relation to key business aspects of the business. On a scale of 1 to 5, where 1=Extensive adaptation and 5=No adaptation at all, respondents were asked to rate the degree to which adaptation is a necessary criterion with regards to the future growth of their company.

A factor analysis was also performed on the 30 statement items of this question as a widely accepted data reduction procedure. The results of the analysis, illustrated in Table 6.1, demonstrate that the current data has been reduced to five factors. A preliminary test indicated that the reliability of the scales for each factor was found to satisfactorily meet Nunally's (1978) recommendation, as the Cronbach's alpha exceeded 0.7 for the five factors. Similarly the suitability of the data for factor analysis has been explored through the KMO statistic, which indicates a value of 0.940, defined by Hutcheson and Sofroniou (1999) as a superb measure of sampling adequacy. In addition, the Barlett's Test of Sphericity for these data is highly significant ($p < .001$), supporting the appropriateness of factor analysis.

[231] For instance Ansoff, 1965; Miller and Friesen, 1983; Miles and Snow, 1984; Hrebiniak and Joyce, 1985.

Factor and items	Factor Loading	Eigen values	% of Explained Variance	Cronbach's Alpha
Factor 1: Promotion Mix Strategy		15.689	17.369	0.9269
Product/service labelling.	**0.457**			
Advertising idea/theme.	**0.830**			
Media channel for advertising.	**0.826**			
Promotion objectives.	**0.818**			
Budget for promotion.	**0.797**			
Public Relation emphasis.	**0.603**			
Direct marketing/mailing.	**0.721**			
Factor 2: Product & Operations Strategy		2.646	16.747	0.9046
Product/service brand name.	**0.448**			
Product/service design.	**0.761**			
Product/service quality.	**0.851**			
Product/service warranties.	**0.620**			
Accomplishment of delivery deadlines.	**0.609**			
Customer bases.	**0.726**			
Production methods.	**0.655**			
Factor 3: Change Management Strategy		1.699	14.661	0.9226
Introduction of new technology.	**0.623**			
Increased productivity.	**0.520**			
Business management approach.	**0.658**			
Training & development of employees.	**0.758**			
Hiring and firing of employees.	**0.732**			
Performance and reward system of employees.	**0.782**			
Factor 4: Pricing Strategy		1.404	13.900	0.8764
Pricing strategy.	**0.630**			
Concession of credit.	**0.811**			
Price discounts policy.	**0.777**			
Margins.	**0.697**			
Quality/price relation.	**0.573**			
Level of subcontracting.	**0.512**			
Factor 5: Distribution & Logistics Strategy		1.202	12.787	0.95
Criteria to select the distribution system.	**0.720**			
Transportation strategy.	**0.850**			
Budget for distribution.	**0.787**			
Distribution networks.	**0.762**			
Total explained variance			75.463	

Table 7.3.13: Factor analysis of the degree of future adaptation of SMEs to their turbulent environment variables.

Factor 1 labelled **Promotion mix strategy**, relates to the adaptation of the small firm's promotion strategy defined as the adjustment of the domestic promotion program (advertising idea/theme, media channels for advertising, promotion objectives, budget for promotion, public relations emphasis, and direct marketing/mailing) to its turbulent environment. Factor 2 contains issues pertaining to the firm's product as well as items associated with operations function was as such, termed **Product & Operations Strategy.**

On the other hand, factor 3 involves issues linked to the process of assisting the organization in the smooth transition from one defined state to another, by managing and coordinating changes to business processes and systems and was hence grouped under the sub-heading **Change Management Strategy.** Alternatively, factor 4 has been defined as '**Price Strategy**' since it encompasses the various pricing policy decisions attached to the small firm. Finally, factor 5, **Distribution & Logistics Strategy** outlines the different issues associated with the fourth factor of the marketing mix as defined by McCarthy (1964), namely distribution.

Frequency distributions for each statement item were also generated and compiled in Table 7.3.13. Since the scale used is a 5-point rating scale, the means between 2.51 and 3.50 represent the medium level of adaptation of the firms' strategy. As such, an overall examination of the mean scores showed that most of the items showed an average level of adaptation, except for Product/service quality (mean=2.10), Increased productivity (mean= 2.33), Product/service design (mean=2.35), Customer bases (mean=2.40), Quality/price relation (mean=2.48), Accomplishment of delivery deadlines (mean=2.48) and Production methods (mean=2.49).

	Extensive adaptation	Much adaptation	Neither little nor much adaptation	Minor adaptation	No adaptation at all	N	Mean	Mode
Product/service brand name.	11.92	42.31	25.77	11.15	8.85	260	2.63	2
Product/service design.	20.00	44.23	21.54	8.85	5.38	260	2.35	2
Product/service labelling.	15.83	29.34	29.34	10.81	14.67	259	2.79	2
Product/service quality.	34.62	36.15	18.08	6.92	4.23	260	2.10	2
Product/service warranties.	19.77	32.56	29.07	11.63	6.98	258	2.53	2
Advertising idea/theme.	8.49	26.64	36.29	16.60	11.97	259	2.97	3
Media channel for advertising.	7.69	18.85	40.38	18.85	14.23	260	3.13	3

Promotion objectives.	7.31	22.31	41.54	16.54	12.31	260	3.04	3
Budget for promotion.	8.46	20.77	41.15	16.54	13.08	260	3.05	3
Public Relation emphasis.	7.75	29.84	41.09	10.08	11.24	258	2.87	3
Direct marketing/mailing.	11.15	23.85	36.54	13.08	15.38	260	2.98	3
Pricing strategy.	13.46	39.62	26.54	13.46	6.92	260	2.61	2
Concession of credit.	8.08	34.62	32.31	13.08	11.92	260	2.86	2
Price discounts policy.	11.92	33.85	30.77	15.38	8.08	260	2.74	2
Margins.	8.85	36.15	35.38	11.15	8.46	260	2.74	2
Quality/price relation.	16.99	40.15	26.64	10.42	5.79	259	2.48	2
Criteria to select the distribution system.	6.20	32.56	35.27	14.34	11.63	258	2.93	3
Transportation strategy.	5.02	27.41	39.77	14.29	13.51	259	3.04	3
Budget for distribution.	5.02	28.19	39.00	14.29	13.51	259	3.03	3
Distribution networks.	6.95	28.96	36.68	13.51	13.90	259	2.98	3
Accomplishment of delivery deadlines.	21.62	33.98	28.19	6.95	9.27	259	2.48	2
Customer bases.	17.69	43.46	24.23	10.38	4.23	260	2.40	2
Production methods.	13.51	45.17	26.64	8.11	6.56	259	2.49	2
Level of subcontracting.	5.04	22.87	34.50	11.63	25.97	258	3.31	3
Introduction of new technology.	13.90	39.38	27.80	10.81	8.11	259	2.60	2
Increased productivity.	19.23	44.62	24.23	8.08	3.85	260	2.33	2
Business management approach.	10.51	33.85	37.35	10.89	7.39	257	2.71	3
Training & development of employees.	11.97	40.54	24.32	15.44	7.72	259	2.66	2
Hiring and firing of employees.	5.81	26.36	39.15	17.05	11.63	258	3.02	3
Performance and reward system of employees.	8.85	35.38	32.69	11.15	11.92	260	2.82	2

Table 7.3.14: Frequency table of The degree of future adaptation of SMEs to their turbulent environment variables

*Note: Multiple modes exist for this question

Promotion Mix Strategy

An important aspect in the marketing and selling a company's product is the product label which is very important, not only for selling a product, but also for transmitting to the consumer information about the company image, its values, and the perceived value of the product. Yet, only 45.17% of the sample declared that their product/service labelling would be subject to ‘extensive’ and ‘much’ adaptation in the future. This corroborates the SME literature which clearly stipulates that there are usually few marketing activities or product labelling initiatives to better inform customers, and encourage them to distinguish between higher quality products and lower quality products.[232] Moreover, it can be argued that an adaptation of product/service labelling will imply additional capital expenditures, which will impinge on the severe capital constraints of small firms.

Not surprisingly, less than half of the sample reported that that they might adapt their 'Advertising idea/theme' (35.14%), 'Media channel for advertising' (26.54%), 'Promotion objectives' (29.62%) and 'Budget for promotion' (29.23%). This can be related to the earlier findings of this study, where many SMEs have argued that advertising and promotion are ineffective and costly. In addition, only 37.59% of the sample testified that their Public Relation activities would be subject to change.

Product & Operations Strategy

Products often need to be adjusted given the dynamic environment in which the small firm operates. This is in line with the present findings, which showed that 64.23% of the SME sample would adapt their product/service design. In this regard, an in-depth participant, operating in the dentistry industry declared, "We have to modify our products, (…) the products have to be modernised to reflect the evolving needs of the dentistry industry." In a similar vein, another in-depth interviewee declared, "As for adaptation, it is more than ever important- we have to adapt ourselves to the market demand; that's why we work on an ordering system; if we adapt to the taste and preferences of clients, the risk of bankruptcy will be considerably less." In addition, another one argued, "We are still selling the same products but the designs have changed (…)". Such statements are in line with Carson et al. (1995) who declared that SMEs are likely to have a narrow product base, in some cases single products or a core product with a few minor variations, where quality and purpose are likely to be one-dimensional.

Out of the 7 categories of the firms' product and operation strategy, product/service quality (70.77%) was the one category expecting the highest level of possible future adaptation (Mean=2.10). Mauritian business owners ascribed higher levels of importance to the quality of their products and this indeed was confirmed by the findings from

[232] Source: Chantanakome (1999).

question 1, where 91.22% of the given sample emphasized on the importance of quality improvement. Such a result also corroborates the findings of the CFIB (2004), which divulged that SMEs see the quality of their products and their know-how as their biggest competitive advantage. It can hence be argued that local SMEs rely significantly on the quality of their products to maintain their market share and to attract new customers. Such a finding is in line with the commentaries of one in-depth participant who explained "(…) Because People now want quality products, we have to upgrade the products …".

In a similar vein, 61.15% of the sample avowed that 'extensive' to 'much' adaptation is a necessary criterion with regards to their Customer bases. As an in-depth interviewee argues, "We…try to adapt to what the clientele is looking for and we try our best to satisfy them completely!" This is similar to Gronroos (1990) who reasoned that, for companies to be successful, whether in the service or manufacturing industries, they must keep interact with their customers and provide a high-quality service or risk losing them to competitors.

Contrastingly, 52.33% of the sample of SMEs perceived that their Product/service warranties would be subject to 'extensive' or 'much' adaptation in the future. It can be argued in this respect, that respondents are not aware that product warranties are a good indicator of product quality; and as a result, it is not surprising to find that entrepreneurs did not intend to adapt their warranties accordingly, resulting in them casually defining their product warranties and in missed opportunities. In a similar vein, only 54.23% of respondents stipulated that Product/service brand name would be subject to 'extensive' and 'much' adaptation in the future. Such a low response level relative to product/service quality finds support in past studies, including Czinkota and Ronkainen (2004), which revealed that brands, among others, are the most common things that companies standardise. It can be argued in this instance that the reasons as to why local entrepreneurs are not responsive to the future adaptation of their product/service brand name is for reasons of cost reduction and consistency purposes.

Although local SMEs are very inclined to meeting delivery deadlines, 55.60% claimed that they would bring 'extensive' to 'much' changes to the Accomplishment of delivery deadlines. The findings from the in-depth interviews and that of question 2, indicate that Mauritian SMEs view the meeting of delivery deadlines as an important means to retain customers. Such a finding is in line with Dean et al. (1998) who suggested that in the context of SMEs' adaptation, small companies might pursue strategies built upon the strength of speed.

With regards to 'Production methods', only 58.69% affirmed that their techniques of production would necessitate 'extensive' to 'much' adaptation, to attain growth in the future. It can be argued in this instance that local SMEs recognise that the standardisation of production processes is not a viable proposition in view of the fast-changing nature of technology and the high-quality requirements of products. As such, the use and adoption of adopting high production technologies will ensure high quality products in a relatively shorter time span, leading either to a competitive advantage or to the small firm operating on the same foothold as its competitors.

Change Management Strategy

As regards to change management strategy, 53.28% of the total sample affirmed that adaptation would also necessitate the introduction and use of new technology to achieve future growth. The acquisition of technology is no longer a luxury but a necessity for SMEs to remain competitive since they operate in a high value-added environment with increasing consumer demands. With increased competition in the local and international markets, local SMEs are forced to adopt new technologies to remain in business. However, it can be argued that the mere possession of new technology does not provide a competitive edge, but it is also dependent on how the firm takes advantage of it. Yet, due to their lack of financial resources and lack of know-how, some SMEs may face difficulties in adapting the new technologies, which explains why only half of the sample did not respond favorably to such acquisitions.

SMEs need to adapt their human resource management policies to suit the ever-changing business environment, altering business strategies and business processes improvements. These may be achieved through skills upgrading and knowledge training for the employees. In this respect, 52.51% of interviewees argued that they were willing to invest in training & development of their employees. Such a result reflects the respondents' awareness regarding the importance of developing their human capital and the need to constantly upgrade the skills of their employees in view of the ever-increasing sophistication of the machinery and technology employed. However, this by no means imply that they would offer their workers formal training through professional training centre –given their financial constraints-they are more likely to offer in house training using senior technicians or supervisors. In this particular respect, it may be argued that a well-trained workforce plays a crucial part towards business growth, contributing to higher productivity through the use of more sophisticated technology, hence leading to an overall increase in total factor productivity. Such an analogy is in line with the present findings whereby, 63.85% attested that increased productivity is one of the main drivers for future adaptation.

On the other hand, barely one-third (32.17%) of respondents declared that they would be bringing future changes to the way they hire and fire their employees. Such a result corroborates the findings of Bacon and Hoque (2005) who stipulated that although the productivity and survival of small and medium-sized enterprises (SMEs) may be enhanced if they adopt human resource management (HRM) practices, there is a far greater degree of informality in employment practices in SMEs than in larger workplaces. Lastly, 44.23% of respondents indicated that they would bring changes to the Performance and reward system of their employees. In-depth interviewees allude to the lack of motivation of their employees and the high level of absenteeism as being one of the main weaknesses of their business. Nevertheless, many respondents seem to be indifferent as regards to the future adaptation of their performance and reward system. As argued by Neely, Gregory and Platts (2005), the cost of measurement is an issue of great concern to mangers in SMEs.

Pricing Strategy

The literature on pricing strategy argues that pricing should be a core part, and a reflection of the company's strategy. And, as the external environment in which the firm is operating becomes more turbulent, pricing must become more externally focused. Yet, only 53.08% of respondents affirmed that they would be willing to adapt their pricing strategy to achieve future growth. For most interviewees, a change in their pricing strategy meant changes in the se prices, mainly as a result of changes in the price of raw materials. Such an analogy reflects the findings of Pitt et al. (1997) who disclosed that in most firms, pricing is the least emphasised strategic issues. As regards to the concession of credit, 42.69% avowed that they intended to provide credit facilities to their customers in the future. Such findings contradict the arguments drawn from the in-depth interviews to the extent that the latter revealed that local SMEs viewed the bestowing credit to their customers unfavourably, which is altogether understandable given their financial constraints. Indeed, the mean score of this statement item (mean=2.86) is the lowest level of adaptation of all the 6 categories of the firms' pricing strategy adaptation, and as such, to a certain extent, corroborating the results of in-depth interviews. Nevertheless, given the ever-increasing number of competitors, be it small or large firms, respondents argued that that they would have to provide credit facilities to retain their market share of increase it in the future.

In a similar vein, 45.77% of the total sample of SMEs avowed they would have to adapt their price discounts policy. The findings from in-depth interviews showed that SMEs did offer discounts to their customers. For instance, one in-depth interviewee declared, "…we have to be flexible, most of the time we give customers price reductions…". Being given that almost half of the sample avowed that they would change their price discount policy is a clear indication that local business owners are recognizing the ever-increasing importance of offering price discounts to retain customers.

As regards to their margins, 45% asserted that the latter would need 'extensive' to 'much' adaptation in the future. This may reflect the willingness of Mauritian SMEs to switch to products where profit margins are relatively higher. This implies a possible future diversion of resources towards more profitable business areas. Alternatively, 57.14% of the sample affirmed that Quality/price relation would also be subject to change in order to achieve growth. An important aspect highlighted during the in-depth interviews was that many interviewees attached significant importance to offering value for money. The latter would normally be possible as follows: first, offering a product of good quality at a lower price; and secondly, which is perhaps the most popular way to add value, improving the product quality and adjusting the price accordingly.

Contrastingly, only 27.91% of interviewees believed that they would change their degree of subcontracting to attain future growth. The present factor item may be viewed from two different perspectives; firstly, where the small firm subcontracts part of its production process, which will have the overall effect of reducing costs, or; secondly, where the small firm offers subcontracting services to other businesses. In a similar vein, Hines (1995) has also argued that the lower the level of subcontracting and the lower the percentage of small firms that are designed to be subcontractors, the greater is the potential from the application of network sourcing.

Distribution & Logistics Strategy

All the factor items loading on the last factor were not viewed with any particular significanceas regards to the need for future 'extensive' and 'much' adaptation. Indeed, 'networks' Criteria to select the distribution system', 'Transportation strategy', 'Budget for distribution', Distribution were respectively found to be 38.76%, 32.43%, 33.20% and 35.91%. Such findings are in line with those of earlier studies, which found that many SMEs, in developing countries, did not have enough information on marketing channels. In this regard, it has been observed from the in-depth interviews that Mauritian SMEs paid more attention to the product mix, while disregarding to a certain extent the other components of the marketing mix. In this particular respect, it can be argued that local business owners lay a lot of emphasis on the product mix because they understand its potential important contribution to their firm's success. However, this is not the case for the other elements of the mix, even more so for the distribution mix.

Question 7: Company Performance

The central issue driving organizational activities within the firm is performance and for small businesses, this is no different. Since many owners have a variety of goals, it is important to understand the process by which goal accomplishment is monitored. Yet, measurement of organizational performance is a challenging issue, even for small business research because of data availability and reliability problems.

For the analysis of performance, eight measures have been used: two financial (return on investment and profit), five market-based (sales volume, market share, customer satisfaction and customer loyalty and brand awareness) and one survival-based (cash flow). Performance is measured relative to major competitors that enabled control of performance differences caused by differences among industries and served markets. Again, a five-point Likert scale has been used (1 = This year our company has shown much better performance across this indicator compared to the major competitors', 5 = ‘Worse performance across this indicator compared to the major competitors’)

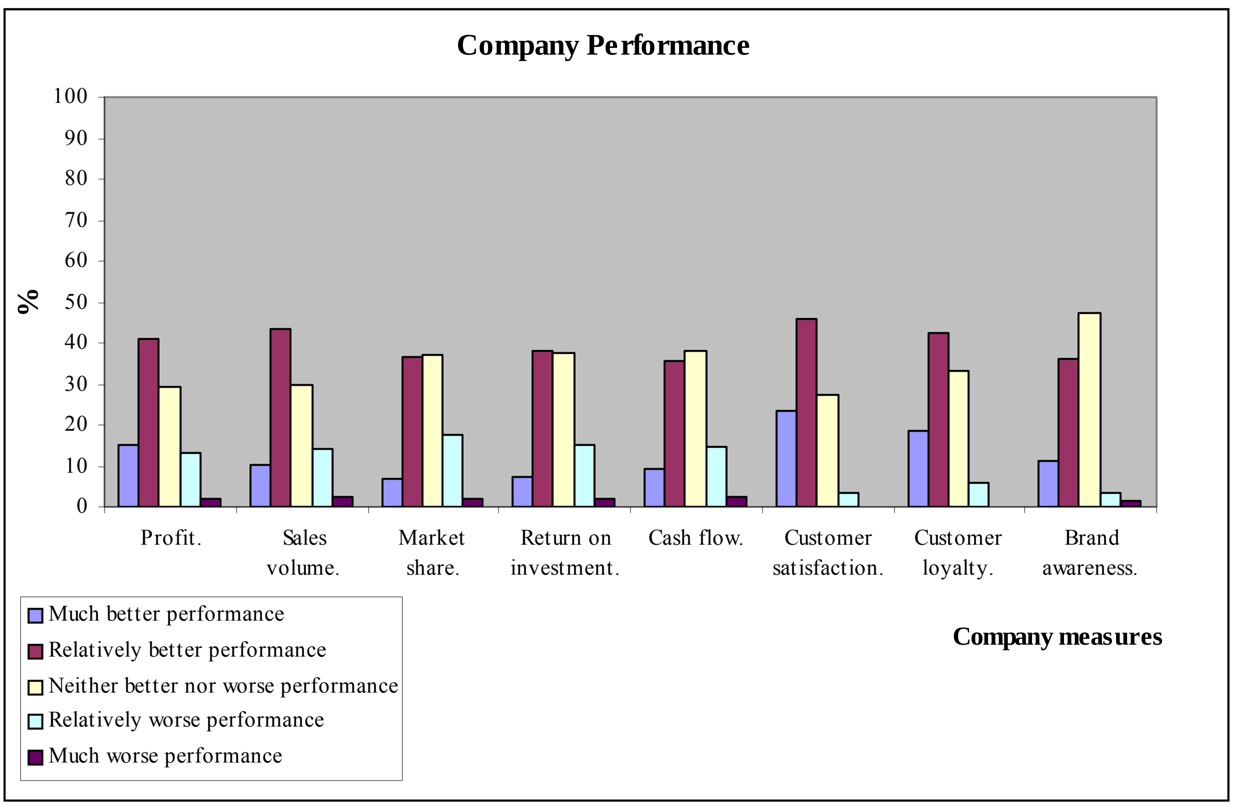


Figure 7.3.6: Percentages of each performance measure.

Figure 7.3.6 The above bar chart graphically shows the frequency percentages of each performance measure.

Descriptive Statistics		
	N	Mean
Profit.	262	2.46
Sales volume.	262	2.55
Market share.	262	2.71
Return on investment.	262	2.66
Cash flow.	262	2.66
Customer satisfaction.	263	2.11
Customer loyalty.	263	2.27
Brand awareness.	263	2.475
Valid N (listwise)	262	

Table 7.3.15: Mean table of performance measures

Table 7.3.15 shows that 'Customer satisfaction', 'Customer loyalty' and 'Profit' rank among the performance measures, identified by respondents, to be 'much better' relative to their major competitors (mean scores of the three performance measures were below 2.51).

Correlations									
		Profit	**Sales volume**	**Market share**	**Return on investment**	**Cash flow**	**Customer satisfaction**	**Customer loyalty**	**Brand awareness**
Profit	Pearson Correlation	1.00	0.83**	0.71**	0.77**	0.74**	0.46**	0.39**	0.29**
	Sig. (2-tailed)	.	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	N	262	262	262	262	262	262	262	262
Sales volume	Pearson Correlation	0.83**	1.00	0.78**	0.77**	0.72**	0.48**	0.46**	0.41**
	Sig. (2-tailed)	**0.00**	**.**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	N	262	262	262	262	262	262	262	262
Market share	Pearson Correlation	0.71**	0.78**	1.00	0.81**	0.74**	0.45**	0.46**	0.46**
	Sig. (2-tailed)	**0.00**	**0.00**	**.**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	N	262	262	262	262	262	262	262	262
Return on investment	Pearson Correlation	0.77**	0.77**	0.81**	1.00	0.87**	0.53**	0.46**	0.45**
	Sig. (2-tailed)	**0.00**	**0.00**	**0.00**	**.**	**0.00**	**0.00**	**0.00**	**0.00**
	N	262	262	262	262	262	262	262	262
Cash flow	Pearson Correlation	0.74**	0.72**	0.74**	0.87**	1.00	0.53**	0.39**	0.39**
	Sig. (2-tailed)	**0.00**	**0.00**	**0.00**	**0.00**	**.**	**0.00**	**0.00**	**0.00**
	N	262	262	262	262	262	262	262	262
Customer satisfaction	Pearson Correlation	0.46**	0.48**	0.45**	0.53**	0.53**	1.00	0.75**	0.61**
	Sig. (2-tailed)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**.**	**0.00**	**0.00**
	N	262	262	262	262	262	263	263	263

Customer loyalty	Pearson Correlation	0.39**	0.46**	0.46**	0.46**	0.39**	0.75**	1.00	0.65**
	Sig. (2-tailed)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**.**	**0.00**
	N	262	262	262	262	262	263	263	263
Brand awareness	Pearson Correlation	0.29**	0.41**	0.46**	0.45**	0.39**	0.61**	0.65**	1.00
	Sig. (2-tailed)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	.
	N	262	262	262	262	262	263	263	263
**Correlation is significant at the 0.01 level (2-tailed)									

Table 7.3.16: Correlation of performance measures

In addition to the descriptive statistics, a Pearson Product correlation was performed. The SPSS output in Table 7.3.16 provides a matrix of the correlation coefficients for the eight variables. The significance value of the correlation and the sample size (N) on which it is based is also depicted. Moreover, the significance value unequivocally shows that there is less than 0.01 probability that the different correlation coefficients found in Table 7.2 would have occurred by chance in a sample of 263 respondents (as indicated by the two asterisks after the coefficients). Hence, the various relationships demonstrated above are considered statistically significant.

From Table 7.3.16, it can be seen that profit is positively related to the other performance measures and it is highly associated with sales volume ($r = 0.83$), market share($r = 0.71$), return on investment ($r = 0.77$) and cash flow ($r = 0.74$); but relatively less to customer satisfaction (0.46) and even lesser to customer loyalty ($r = 0.39$) and brand awareness ($r = 0.29$). Likewise, sales volume is also found to be highly positively related to market share($r = 0.78$), return on investment ($r = 0.77$) and cash flow ($r = 0.72$) and to a lesser extent to customer satisfaction (0.48), customer loyalty ($r = 0.46$) and brand awareness ($r = 0.41$).

The result also shows that market share is highly positively linked to return on investment ($r = 0.81$) and cash flow ($r = 0.74$) but to a lesser extent to customer satisfaction (0.45), customer loyalty ($r = 0.46$) and brand awareness ($r = 0.46$). Similarly, return on investment is highly correlated to cash flow ($r = 0.87$); but moderately associated with customer satisfaction (0.53), customer loyalty ($r = 0.46$) and brand awareness ($r = 0.45$).

Conversely, customer satisfaction appears to have a positively large impact on customer loyalty (r = 0.75) and brand awareness (r = 0.61), which in turn is significantly correlated to customer loyalty.

7.3.3.3 Findings 3: Strategic Orientation

Question 8: Strategic orientation of Mauritian SMEs

Strategy and the formulation of strategy are crucial in the firms' management process. The strategy provides the firm with ways and means which it plans to use to achieve its goals. There are, however, some indications that SMEs pay little attention to strategy and strategy formulation (e.g. Snuif and Zwart, 1994a), which may have an adverse impact on performance. As such, Question 8 focuses on the way Mauritian SMEs devise or implement their strategy. On a five likert scale, where 1=strongly agree, 2=agree, 3=neither agree nor disagree, 4=disagree and 5=strongly disagree, respondents were asked to identify the extent to which they tend to agree or disagree with the 48 statements of question 8 which mainly reflect their overall business strategy.

Factor analysis was used to examine the relationships among the strategy items. The Kaiser-Meyer Olkin (KMO) measure of sampling adequacy was computed. In this regard, the KMO statistics shows a value of 0.91, which is a measure above 0.60, indicating that the sample is adequate for factor analysis. In addition, the Bartlett's Test of Sphericity ($p<0.01$) showed a high degree of appropriateness for the data to be factor analysed.

Eleven dimensions of strategic orientation were developed through principal component analysis. A rotated factor matrix using the varimax method was also generated to improve interpretation and the results are presented in Table 8.1. For each of the eleven factors Cronbach's reliability alphas were calculated; overall the coefficient alpha was found to be above 0.64 (indicating sufficient levels of reliability), except for factor 8, 9, 10 and 11. As such, these factors will not be subject to any analysis. As can be seen below, the pattern of loadings suggests that the eleven-factor resolution consists of an 'Analysis & Autonomy Orientation' dimension, an 'Uncertainty Avoidance & Conservatism

Orientation' dimension, an 'Aggressiveness Orientation' dimension, a 'Futurity Orientation' dimension, a 'First Mover Advantages' dimension, a 'Defensiveness Orientation' dimension and a 'Proactiveness Orientation' dimension.

Factor analysis of Strategic Orientation Variables				
Factor Loading		**Eigen value**	**% of Explained Variance**	**Cronbach's Alpha**
Factor 1: Analysis & Autonomy Orientation		16.43	14.13	0.93
We emphasize effective coordination among different functional areas.	0.692			
Our information system provides support for decision-making.	0.637			
When confronted with a major decision, we usually try to develop through analysis.	0.600			
We use several market planning techniques.	0.504			
We use the outputs of management information and control system.	0.481			
We commonly use manpower planning and performance appraisal for our employees.	0.573			
We consider developing independent work units to enhance creative thinking.	0.628			
We coordinate activities in all departments to minimise inefficiencies and duplication of efforts.	0.845			
We have a proper balance between patience and tolerance for autonomous employees and the forbearance to reduce or eliminate initiatives that are not succeeding.	0.783			
We have a flexible structure to stimulate new ideas within the firm.	0.812			
We have the necessary culture, rewards and processes to support new product/service ideas development.	0.746			
Factor 2: Uncertainty Avoidance & Conservatism Orientation		4.32	8.882	0.8504
We are constantly seeking new opportunities related to present operations.	0.509			
The firm knows when it is in danger of acting overly aggressive and avoid situation, which can lead to erosion of firm reputation and retaliation by competitors.	0.565			
We seem to adopt a rather conservative view when making major decisions.	0.734			
New projects are approved on a "stage by stage" basis rather than with blanket approval.	0.439			
We have a tendency to support projects where the expected returns are certain.	0.761			
Our operations have generally the "tried and true" paths.	0.710			
We implement plans only if we are sure that they will work.	0.738			
The firm enhances its competitive risk position by researching and assessing risk failures in order to minimise uncertainty.	0.500			
I feel that I am my own boss in most matters.	0.522			
Factor 3: Aggressiveness Orientation		2.565	8.521	0.9112
We often sacrifice profitability to gain market share.	0.775			
We often cut prices to increase market share.	0.810			
We often set prices below competition.	0.869			
We often seek market share position at the expense of cash flow and profitability.	0.858			
Factor 4: Futurity Orientation		2.206	8.381	0.8822

We emphasise basic research to provide us with future competitive edge.	0.797			
Forecasting key indicators of operations is common.	0.670			
Formal tracking of significant general trends is common.	0.646			
We often conduct "what if" analysis of critical issues.	0.749			
Factor 5: First Mover Advantages		1.901	6.527	0.7404
We are usually the first ones to introduce new brands or products on the market.	0.516			
We are constantly on the look out for businesses that can be acquired.	0.592			
The firm enhances its competitive risk position by applying techniques and processes that have worked in other domains.	0.501			
The firm's innovative initiatives are hard for competitors to successfully imitate.	0.711			
Factor 6: Defensiveness Orientation		1.578	6.410	0.8675
We occasionally conduct significant modification to our production /manufacturing technology.	0.643			
We often use cost control system for monitoring performance.	0.762			
We often use production management techniques.	0.728			
We often emphasise product quality through the use of quality circles.	0.449			
Factor 7: Proactiveness Orientation		1.390	6.228	0.8212
We firmly believe that a change in market creates a proactive opportunity for us.	0.643			
The firm continuously monitors trends and identifies future needs of customers and/or anticipates future demand conditions.	0.688			
The firm effectively introduces new products and technologies ahead of competition.	0.427			
The firm continuously seeks out new product or service offerings.	0.737			
Factor 8		1.269	4.087	0.6305
When it comes to problem solving, we value creative new solutions more than the solutions of conventional wisdom.	0.622			
The employees are constantly being checked for rule violations.	0.582			
Factor 9		1.219	3.899	0.4275
The firm enhances its competitive position by entering markets with drastically lower prices, copying the business practices or techniques of successful competitors.	0.564			
Our firm encourages and stimulates technological product market and administrative innovation.	0.611			
Factor 10		1.082	3.190	0.3589
Operations in later stages of the life cycle are strategically eliminated.	-0.422			
The firm foster and encourage a proper level of business, financial and personal risk-taking.	0.650			
The firm properly invests in new technology, R&D and continuous investment.	0.442			
Factor 11		1.008	2.581	N /A
A person in the organisation can make his own decision without checking with somebody else.	0.898			
Total variance explained			72.847	

Table 7.3.17: Factor analysis of strategic orientation variables

The simple average of the mean intensity score is also shown for each of the seven separate categories. It can be gleaned from Table 7.3.17 that on average, the Mauritian SMEs seemed to be more conservative, risk-averse and proactive in their strategic approach (the Uncertainty Avoidance & Conservatism Orientation and Proactiveness Orientation dimension showed average mean intensities less that *2.51*). Contrastingly, the average respondent had mixed feelings with regards to the remaining dimensions extracted from the factor analysis (the other average mean intensities exceeded *2.51*). Frequency percentages have also been calculated and tabulated (see table 8.3 below) to provide a more condensed understanding of the strategic approach adopted by Mauritian SMEs. It is to be noted that each factor will be discussed in the same rank orders as that of Table 7.3.18.

Factors	***Average Mean Intensity**
Uncertainty Avoidance & Conservatism Orientation dimension	2.31
Proactiveness Orientation dimension	2.46
Defensiveness Orientation dimension	2.51
Analysis & Autonomy Orientation dimension	2.53
Aggressiveness Orientation dimension	2.56
Futurity Orientation dimension	2.60
First Mover Advantages dimension	2.81

Table 7.3.18: Mean table of strategic orientation variables

*Intensity of strategic orientation reported on a 1-5 scale by SMEs, ranging from 1 (Strongly agree) to 5 (Strongly disagree).

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly agree	N	Mean	Mode
We often sacrifice profitability to gain market share.	15.65	41.60	25.19	15.65	1.91	262	2.47	2.00
We often cut prices to increase market share.	16.41	40.46	27.10	12.98	3.05	262	2.46	2.00
We often set prices below competition.	10.34	34.87	34.87	15.71	4.21	261	2.69	2.00
We often seek market share position at the expense of cash flow and profitability.	11.11	37.55	31.80	16.09	3.45	261	2.63	2.00
We emphasise effective coordination among different functional areas.	8.37	44.87	39.54	4.94	2.28	263	2.48	2.00
Our information system provides support for decision-making.	7.22	38.78	42.21	7.22	4.56	263	2.63	3.00
When confronted with a major decision, we usually try to develop through analysis.	9.51	47.15	36.50	5.70	1.14	263	2.42	2.00
We use several market planning techniques.	5.32	30.04	49.81	10.27	4.56	263	2.79	3.00
We use the outputs of management information and control system.	5.73	26.34	54.96	8.02	4.96	262	2.80	3.00
We commonly use manpower planning and performance appraisal for our	10.65	30.42	46.39	7.22	5.32	263	2.66	3.00

employees.								
We occasionally conduct significant modification to our production /manufacturing technology.	9.51	49.05	33.84	4.56	3.04	263	2.43	2.00
We often use cost control system for monitoring performance.	7.60	47.91	36.50	3.80	4.18	263	2.49	2.00
We often use production management techniques.	6.11	41.98	43.51	4.96	3.44	262	2.58	3.00
We often emphasise product quality through the use of quality circles.	10.31	37.40	41.22	8.02	3.05	262	2.56	3.00
We emphasise basic research to provide us with future competitive edge.	9.54	38.55	35.11	11.45	5.34	262	2.65	2.00
Forecasting key indicators of operations is common.	6.84	45.63	37.64	6.08	3.80	263	2.54	2.00
Formal tracking of significant general trends is common.	9.13	39.92	39.54	9.13	2.28	263	2.56	2.00
We often conduct "what if" analysis of critical issues.	10.31	32.44	45.04	7.25	4.96	262	2.64	3.00
We are constantly seeking new opportunities related to present operations.	21.76	47.71	26.34	2.67	1.53	262	2.15	2.00
We are usually the first ones to introduce new brands or products on the market.	8.78	25.19	41.98	16.79	7.25	262	2.89	3.00
We are constantly on the look out for businesses that can be acquired.	12.21	31.30	34.73	11.07	10.69	262	2.77	3.00
We firmly believe that a change in market creates a proactive opportunity for us.	9.16	40.84	42.75	4.96	2.29	262	2.50	3.00
The firm continuously monitors trends and identifies future needs of customers and/or anticipates future demand conditions.	16.03	47.71	28.24	5.34	2.67	262	2.31	2.00
The firm effectively introduces new products and technologies ahead of competition.	11.07	30.92	38.55	14.12	5.34	262	2.72	3.00
The firm continuously seeks out new product or service offerings.	16.79	46.95	27.48	7.63	1.15	262	2.29	2.00
The firm knows when it is in danger of acting overly aggressive and avoid situation, which can lead to erosion of firm reputation and retaliation by competitors.	19.54	35.63	35.63	6.13	3.07	261	2.38	2.00
We seem to adopt a rather conservative view when making major decisions.	11.88	39.08	39.85	7.28	1.92	261	2.48	3.00
New projects are approved on a "stage by stage" basis rather than with blanket approval.	12.74	42.08	37.07	5.79	2.32	259	2.43	2.00
We have a tendency to support projects where the expected returns are certain.	18.39	47.89	27.20	4.98	1.53	261	2.23	2.00
Our operations have generally the "tried and true" paths.	12.84	47.08	34.24	3.89	1.95	257	2.35	2.00
We implement plans only if we are sure that they will work.	17.56	43.89	32.06	5.73	0.76	262	2.28	2.00

The firm enhances its competitive risk position by researching and assessing risk failures in order to minimise uncertainty.	9.58	32.57	50.57	4.60	2.68	261	2.58	3.00
The firm enhances its competitive risk position by applying techniques and processes that have worked in other domains.	8.46	34.23	47.31	6.92	3.08	260	2.62	3.00
The firm's innovative initiatives are hard for competitors to successfully imitate.	7.28	21.46	44.83	19.16	7.28	261	2.98	3.00
I feel that I am my own boss in most matters.	39.69	35.50	19.85	4.96		262	1.90	1.00
We consider developing independent work units to enhance creative thinking.	8.43	42.15	40.23	7.66	1.53	261	2.52	2.00
We coordinate activities in all departments to minimise inefficiencies and duplication of efforts.	13.41	42.91	36.02	4.98	2.68	261	2.41	2.00
We have a proper balance between patience and tolerance for autonomous employees and the forbearance to reduce or eliminate initiatives that are not succeeding.	13.79	43.30	38.31	3.45	1.15	261	2.35	2.00
We have a flexible structure to stimulate new ideas within the firm.	9.96	47.51	36.40	4.98	1.15	261	2.40	2.00
We have the necessary culture, rewards and processes to support new product/service ideas development.	10.34	46.74	37.16	3.45	2.30	261	2.41	2.00
Multiple modes exist. The smallest value is shown								

Table 7.3.19: Frequency table of strategic orientation variables

The first business strategy adopted by the majority of Mauritian SMEs is the **Uncertainty Avoidance & Conservatism Orientation dimension** (labeled Factor 2 in table 7.3.18), which investigates the extent to which SMEs is risk averse and their reaction to any adverse rapid changes. In this regard, previous studies have recognized that the majority of small firms are often characterized as being "conservative" and risk-averse.[233] In the case of the Mauritian SMEs, the factor items concerning the tendency to support projects where the expected returns are certain (Mean=2.23) and the implementation of plans only if they are sure to work (Mean=2.28) give support to the above. The result also coincides with the in-depth discussions findings where the majority of interviewees (89.6%) were of opinion that they were only prepared to take calculated risks; in short they were not overt risk takers. For instance, this Textile industry operator affirmed, "I think that before

[233] See for instance Donckels and Frohlich (1991).

getting on the move we should measure the risk involved. I'll be willing to take above average only and only if the survey carried out, shows that there is a very high probability of success."

Similarly, while a manufacturer of dental equipments claimed, "I took a lot of risk and now I regret it. (…) No I think that risk should be minimized or avoided. Why? Because the government does not provide the necessary incentives and support that is needed for us to take such risks", another interviewee said, "I don't think that we should take more risk than big companies because the SME will have much more to lose than the large organization. (…) I doubt that we'll be able to absorb the loss" and another added up, "…we should be more cautious than big companies because we are not financially strong as they are." In a similar vein, the majority of the Mauritian SMEs admitted that their operations have generally the "tried and true" paths. (Mean=2.35)**,** that new projects are approved on a "stage by stage" basis rather than with blanket approval. (Mean=2.43) and that they adopted a rather conservative view when making major decisions (Mean=2.48).

However, the descriptive statistics reported mixed results, with regards to the statement items "The firm knows when it is in danger of acting overly aggressive and avoid situation, which can lead to erosion of firm reputation and retaliation by competitors", (Mean=2.58)**.** Given the findings from question 1 which have shown that Mauritian business owners attach much importance to their market image and their company's reputation (77.48%), the risk aversion of local entrepreneurs entail that they will avoid risky moves and act cautiously so as not to jeopardize their market image. Likewise, most respondents viewed the factor item 'The firm enhances its competitive risk position by researching and assessing risk failures in order to minimise uncertainty' (Mean=2.58). Indeed, an SME's approach to strategy is a quick but careful initial screening of an idea, using only limited analysis to evaluate the quality of an idea (Thompson, 1999).

With respect to 'We have a tendency to support projects where the expected returns are certain' and 'We implement plans only if we are sure that they will work', 66.28% and 61.45% of respondents declared that the above formed part of the overall business strategy. Such results corroborate the findings from in-depth interviews whereby, 89.6%

of entrepreneurs were only prepared to take calculated risks, because misjudging the level of risk associated with a venture can have disastrous consequences for their business. Such a finding gives further support to the finding of Bolton et al., (2004) who noted that entrepreneurs take risk they think they understand, and as a result, only relatively few are high risk-takers who take chances intuitively and with little analytical rigour. In the same regard, 54.83% and 59.92% respectively stated that ‘New projects are approved on a "stage by stage" basis rather than with blanket approval (Mean=2.43) and ‘Our operations have generally the "tried and true" paths’ (Mean=2.35) are part of their firm strategy.

On the other hand, 75.19% of interviewees felt they ‘were their own boss’ in most matters (Mean=1.90). In entrepreneurial firms, fundamental choices, in terms of strategic development, are made by their owner-manager (Kotey and Meredith, 1997). It thus stands to reason that entrepreneurs’ knowledge and skills, as well as their strategic orientation with respect to new markets, new products, and new technologies will influence the organisation. In turn, the latter should have an impact on the firm’s performance in terms of growth, productivity and profitability.

In-depth interviews give, however, a hint as to the fields with respect to which the Mauritian owner-manager feels he is not much conversant with. These were as follows: 24.1% needed training in Accounting and Finance, 24.1% in IT, 17.2% in Marketing, 3.4% in HR, 3.4% in Economics, 3.4% in Law and Legal Requirements, 3.4% in Customer Care, 3.4% in Assertiveness and Negotiation.

Approximately 70% of the total SME sample declared that the constant search for new opportunities related to their present operations was an integrated part of their overall business strategy (Mean=2.15). The above finding supports Kao (1991) and Timmons (1990) views, who argued that one of the constituents of entrepreneurship, was the entrepreneur’s persistent search for opportunities. This also reflects the ‘*proactiveness’* of the Mauritian entrepreneur defined by Venkatranam (1989) as seeking new opportunities, which may or may not be related to the present line of operations.

The Proactiveness Orientation, representing factor 7 in table 7.2.18, considers the proactive behaviour of firms to participate in continuous search for market opportunities and the introduction of new products. On average, the Mauritian respondent declares that he firmly believes that a change in market creates a proactive opportunity for him (Mean=2.50). This is in accordance with the literature review, more particularly with Drucker (1986) who stipulates that the entrepreneur is not the precursor causing change but instead, exploits the opportunities that the change has created. Yet, only 41.98% of respondents affirm that their firm effectively introduces new products and technologies ahead of competition (Mean=2.72). It could be argued in this instance that it is not the introduction of novelties that is the cause of such mixed feelings among Mauritian respondents. As evidenced by the statement item, ‘The firm continuously seeks out new product or service offerings’, 63.74% of respondents were positive about the continuous development of new products or services (Mean=2.29).

Lastly, 63.74% of respondents affirm that the continuous monitoring of trends and identification of future customers’ needs and/or anticipation of future demand conditions is part of their company’s business strategy. This further reinforces the earlier findings of this study, which indicated an ingrained customer orientation of Mauritian SMEs.

Factor 6 in table 8.1 named **Defensiveness Orientation** lays emphasis on cost reduction and efficiency seeking methods. The first factor loading on the present factor, ‘we occasionally conduct significant modification to our production /manufacturing technology’, was perceived by 58.56% of respondents as being part of their overall business strategy. The on-going changes in the environment in which SMEs operate force them to always be on the move for effective and efficient ways of carrying on production in their business. As such, most respondents find it important to adapt their production technology so as to remain competitive by simultaneously reducing production costs and providing better quality to its end-customers (Mean=2.48).

However, a lesser percentage (48.09%) of respondents declared that they often use production management techniques in their strategic stance, even if the globalisation era has revealed the need to find more efficient production management processes to achieve a better performance. Indeed, the fact that the Mauritian SME, has had on average, mixed feelings with regard to the above statement is simply a reflection of the latter's propensity for production management techniques that are intuitive and informal.

Similarly, only 47.71% of respondents agreed to the use of quality circles in their company, while the majority of respondents expressed their mixed feelings as to its use. Product quality is an important feature, as widely attested by SMEs throughout this study; it follows therefore that business owners have other alternatives to discussions and problem solving sessions aimed at improving production processes. Indeed, the lack of resources in the small firm gives way to innovative, intuitive and informal alternatives to the TQM techniques- lavishly propounded by textbooks- used to improve their product quality. Moreover, the low percentage response in favour of quality circles can also stem from the lack of marketing knowledge admitted by business owners in this study.

Lastly, more than half of the sample (55.51%) agreed that they often use cost control system for monitoring their performance in their business strategy. As propounded by the small business literature, cost consideration is primordial to the small firm; it therefore follows that its control is of paramount importance. Yet, the fact that 44.49% thought otherwise is indicative of the fact that the implementation of a control system may simply be beyond the SMEs.

Analysis & Autonomy Orientation relates to the firm's tendency to carefully inquire into the roots of any problem that arises so as to generate the best possible alternative solutions. It also encompasses the use of proper management systems and the firm's flexibility to allow innovative ideas to germinate within its structure. With regards to the first statement item, approximately half of the total sample agreed that they emphasize effective coordination among different functional areas (Mean=2.48, Mode=2). It can be argued in this case that it is relatively easier for the business owner to ensure an effective coordination of the different functional areas because, more often than not, he is the decision maker for all the functional areas of the firm. The finding also stresses that local SMEs understand the importance of an effective coordination within their overall business strategy, which is likely to lead to a more efficient use of resources, increased production, allowing in turn for more competitive pricing. With regards to the factor item, 'We coordinate activities in all departments to minimize inefficiencies and duplication of efforts', 56.32% of respondents declared that the latter formed part of their overall business strategy (Mean=2.41, Mode=2). The above result may seem dubious since decentralization is almost non-existent in small firms; but again, because the owner-manger solely coordinates the overall activities of the firm, this enables him to reduce inefficiencies and replications of efforts.

On the other hand, only 46.01% of respondents affirmed that their information system provides support for decision-making. Such a low frequency percentage can be explained by the fact that most respondents associated the term 'information system' to computer related equipments used in the acquisition, processing, storage and disposition dissemination of information. In this regard, the low percentage is understandable given the lack of financial resources characterising SMEs; small firms do not possess the adequate funds to invest in information technologies. Hence, this may explain why using the outputs of management information and control system produced mixed results (Mean=2.80). Nevertheless, this does not entail that small businesses do not rely on any informational guidelines in their decision making process, because as revealed by in-depth interviews, local SMEs rely a lot on their personal networks to gather information for ultimate decision making. As explained earlier, SMEs Strategy does require control and monitoring of its effectiveness in the market.

Indeed, 56.65% of the sample stated that when confronted with a major decision, they usually try to develop through analysis (Mean=2.42). Findings from in-depth interviews give a better insight in understanding the aforementioned factor item. It was found that the business owner manager processes all the information gathered from his contacts, weighs up pros and cons before taking key decisions. In this respect, a bag manufacturer declared, "…We are the one to take the final decision. (…) We have to check first, the truthfulness of (…) information before acting upon them." This is reflective of attempts by the small firm owners to secure a complete understanding of issues in both organisational and environmental context before making important decisions. However, only 35.36% agreed that the use of several market planning techniques was part of their overall business strategy. Indeed, most Mauritian SMEs were indifferent about the use of marketing techniques (Mean=2.79, Mode=3). Such indifference can be the result of a lack of marketing knowledge explaining the trivial importance accorded to marketing plans in question 1 and to their existing techniques in this question. This reflects earlier findings of this study, notably findings from in-depth interviews, which revealed that various respondents did not particularly understand the difference between marketing planning and promotional issues. For instance, when asked to describe his marketing planning activities, one interviewee equated it to telemarketing.

With regards to their HRM (Human Resource Management) practices, 41.06% of respondents agreed that they commonly use manpower planning and performance appraisal for their employees (Mean=2.66). Such inability of small firms to adopt HRM practices may stem from the lack of resources, such as time and money,[234] management expertise,[235] but it may also be an indication of management's inadequate training concerning HRM issues, or an inadequate understanding of the impact of HRM on the business. Such type of analogy moreover reflects the profile of the small defender firm, described by Miles and Snow (1984), who usually designs traditional compensation systems based on a fixed salary and rarely appraises employee performance.

Yet, it can be argued that small firms are being exposed to workplace innovations because 50.57% of the total sample affirmed that they consider developing independent work units to enhance creative thinking. Such a result corroborates the findings of Bacon et al (1996) who stated that small firms are experimenting with cultural change, employee participation, semi-autonomous work teams and quality circles. The above reinforces the

[234] As propounded by Bacon et al. 1996; Wagar 1998; Duberly and Walley 1995.
[235] See Hill and Stewart 2000; Westhead and Storey 1997.

findings regarding the factor item ‘We have a flexible structure to stimulate new ideas within the firm’ with a mean score of 2.40, which gives further support to the extant entrepreneurship literature, which expansively propounded the legendary flexibility of small firms.

Furthermore, while 57.09% of interviewees stated that they have a proper balance between patience and tolerance for autonomous employees and the forbearance to reduce or eliminate initiatives that are not succeeding (Mean=2.35), a further 57.09% of interviewees declared that they had the necessary culture, rewards and processes to support new product/service ideas development (Mean=2.41). Such findings may again reflect the flexibility of SMEs vis-à-vis innovation, thus providing support to the notion that local small firms have the necessary structure in place to support new ideas.

The factor items loading on Factor 3, named **Aggressiveness Orientation**, included issues pertaining to the improvement of the market position of the small firm at a relatively faster rate than its competitors. Still, Table 8.3 shows that the frequency percentages of the present factor items were relatively low. In this regard, while 45.21 % agreed that they often set prices below competition, 54.79% thought otherwise (Mean=2.69). The reason as to why SME owners find it difficult to pursue the aforementioned aggressive strategy is that they must have sufficient resources - which they do not - to sustain a reasonable period of such intense competition. Moreover, even if funds are available, the cost of failure in using such kind of strategy is too high, although the chances of success are good. In this respect, given the risk-averseness nature of SMEs, they will be unwilling to incur such losses.

In a similar vein, less than half of the sample declared that they often seek market share position at the expense of cash flow and profitability. This is understandable to the extent that SMEs usually have financial constraints; liquidity is indeed a fundamental aspect of the small firm, as Ray (1986) puts it *working capital management is vitally important to the success of the small business*. Contrastingly enough, respondents were seemingly more in favour of sacrificing their profitability to gain market share (57.25%) and of cutting their prices to increase market share (56.87%).[236] It can be argued in this case, that the above strategies do not seriously jeopardize the financial status of the small business owner or put the business at risks, relative to the other two statements.

The next factor labeled **Futurity Orientation** reflects temporal considerations, arising through emphasis in areas such as forecasting and formal tracking of environment trends. From Table 8.2, the descriptive statistics, demonstrates that the mean score intensity of each factor item is above *2.51*, implying that most respondents were indifferent as regards to the above. 52.47% of the sample argued that they ‘strongly agree’ and ‘agree’ that forecasting key indicators of operations is common in their overall business strategy. Two types of respondents have been identified during the administration of the survey questionnaire; those who regarded forecasting as sales forecasts[237] and those who viewed forecasting as the judgmental forecasts formed through knowledge of their market, products, and customers. The fact that most respondents were indifferent is because Mauritian SMEs do neither have the time nor do they possess the necessary skill to make such forecasts.

In a similar vein, while 49.05% of the sample affirmed that formal tracking of significant general trends is common within their firm, respondents had, on average, mixed feelings with this particular item (Mean=2.56). The above can be explained through in-depth interviews findings, which accordingly divulged that, due to costly report trends, the majority of local SMEs relied on informal ways to get information concerning general trends, specially the market trend. Likewise, only 42.75% of interviewees claimed that they lay emphasis on basic research to provide them with future competitive edge. Such a low frequency percentage does not necessarily imply that local small and medium enterprises do not engage in research to gain a competitive edge. Indeed, as per the in-depth discussions most of them do, but they have developed alternative, informal and inexpensive ways of undertaking research. It can therefore be argued that the low response rate may be attributed to the fact that respondents interpreted basic research as

[236] The mean intensities of both statements rank below *2.51*.
[237] This reiterates the findings of Question 1 and gives further support to the comments of Warnock et al (1991) who claimed that small businesses are particularly dependent upon accurate sales forecasts for their continued viability.

formal basic research, which they cannot afford. Lastly, less than half of the interviewees declared that they often conduct "what if" analysis of critical issues, as part of their business strategy.

The last factor is the **First Mover Advantages**, which Lopez and Roberts (1997) define as important long-term market share advantages. Yet all the factors loading on factor 5 namely, ‘We are usually the first ones to introduce new brands or products on the market’, ‘We are constantly on the look out for businesses that can be acquired’, ‘The firm enhances its competitive risk position by applying techniques and processes that have worked in other domains’ and ‘The firm's innovative initiatives are hard for competitors to successfully imitate’, produced mixed results as attested by both the mean (Mean score>2.51) and the mode (Mode=3).

This may be related to the issue that, because first movers face disadvantages stemming from two sources: costs of pioneering and risks, the majority of Mauritian SMEs finds it difficult to engage in such endeavours because of their lack of financial resources or simply because they are unwilling to embark on such ventures given their risk aversion nature.

Question 9: International Focus of SMEs

Past studies have also associated strategic orientation with the issue of internationalisation. Julien (1996), for instance, asserted that about 85% of small firms are operating to some degree with a strategy that can respond to market globalization. As such, the objective of Question 9 is to examine the extent to which Mauritian SMEs have allocated their resources to the local and foreign markets over the past five years. Please find hereunder the frequency percentage of each statement item, along with their respective mean and mode scores.

	Very much	Relatively much	Neither much nor little	Relatively little	None at all	N	Mean	Mode
There was significant planning for exporting products/services.	2.29	11.45	18.70	9.92	57.63	262	4.09	5
There was significant amount of effort involved in developing foreign customer	5.73	8.78	17.94	11.45	56.11	262	4.03	5

bases.								
There was significant amount of financial resources allocated to developing foreign markets.	3.05	10.31	18.70	12.21	55.73	262	4.07	5
There was significant amount of human resources dedicated to develop foreign markets.	2.67	9.92	20.99	9.54	56.87	262	4.08	5
There were more financial resources devoted to developing domestic markets.	27.10	43.89	18.32	6.87	3.82	262	2.16	2
There were more human resources devoted to developing domestic markets.	30.15	38.55	23.66	3.82	3.82	262	2.13	2
There was significant planning for developing domestic markets.	29.77	44.66	18.32	3.82	3.44	262	2.06	2

Table 7.3.20: Frequency of international focus of SMEs variables

Mauritian Smes' International Focus

A number of researchers[238] have suggested that exporting is an important ingredient in ensuring the survival and growth of small firms. Nevertheless, the statement item, 'There was significant planning for exporting products/services' was perceived by the majority of respondents as 'not important at all' (Mode=5). Such a finding gives support to previous empirical studies,[239] which showed that many small firms entered into exporting activities without preplanning and the managers argued that exporting was a result of more or less accidental contacts. In a similar vein, the item 'There was significant amount of financial resources allocated to developing foreign markets' was rated 'not important at all' (Mode=5). The internationalisation of a firm is not a quick process; the development of new information systems, new technology and new products requires an enormous amount of input, coordination and considerable financial investment. This corroborates the research findings of question 25, which divulged that the majority of local SMEs did not engage in internationalisation activities because of the 'finance' factor. Likewise, most respondents divulge that they did not direct a significant amount of effort and human resources towards the development of foreign markets' (Mode=5).

Mauritian Smes' Non-International Focus

On the other hand, most interviewees considered the remaining items as activities they carry 'relatively much' (Mode=2). For example, 'There were more financial resources devoted to developing domestic markets' and 'There were more human resources

[238] D'Souza and McDougall, 1989; Edmunds and Khoury, 1986.
[239] See Albaum 1983; Kaynak et al. 1987; Strandskov 1987.

devoted to developing domestic markets' were favorably regarded. Moreover, the analysis of variance revealed that there was a significant impact of overall customer satisfaction,[240] and the type of industry,[241] on the level of financial and human resources devoted to developing domestic markets. Lastly, respondents mostly asserted that the amount of planning for developing domestic market was 'relatively much' over the past five years. Such a finding is in line with the findings of the internationalisation section of this study which revealed that only 20.00% of the sample of SMEs was engaged in international activities, while the remaining firms' activities were solely geared towards the local market. The type of industry[242] also significantly impacted on the amount of planning for developing domestic markets.

Analysis Of Variance

In the second instance, an analysis of variance has been used to test for differences within two groups. The different statements of question 9 were run several times with respect to company size, age, organizational form, types of industry, overall performance and futurity.

In this regard, it was found that company size significantly affected the level of planning for exporting products/services [F (2, 258) =10.61, $\rho < .05$]. As previously argued, company size and the firm's propensity to export has been the most intensively studied firm-related indicator, as revealed by the literature of this study. The most common proposition has indeed hypothesized that larger companies have size-related advantages enabling them to export more effectively. As such, the current finding is in line with Hirsch and Aden (1974) and Cavesgill and Nevin (1981) but, nevertheless, in high contrast with that of Bilkey and Tesar (1977) who found that smaller firms are more likely to be exporters. In addition, the present ANOVA finding supports the stage theory that suggests that there is a need for a critical size for a firm to internationalize (Johnson and Vahlne, 1977).

240 F (3, 247) = 4.51, $\rho < .05$; F (3, 247) = 2.88, $\rho < .05$.
241 F (9, 252) = 2.82, $\rho < .05$; F (9, 252) =2.17, $\rho < .05$.
242 F (9, 252) =1.97, $\rho < .05$

Moreover, the firm's size reportedly had a significant impact on the amount of financial resources, human resources and effort dedicated to develop foreign markets [F (5, 256) = 11.34, $\rho < .05$; F (5, 256) = 7.74, $\rho < .05$; F (5, 256) =9.95, $\rho < .05$]. This corroborates the findings of past studies, where for instance, Ruzzier and Konečnik (2006) found that company size and the availability of resources play an important role in most internationalization dimensions. This is also in line with Andersson et al (2004) who argued that the larger the firm, the more resources available for a firm's international activities.

In a similar vein, company age also had a significant impact on the level of planning associated with the exportation of goods and services [F (5, 256) = 3.39, $\rho < .05$]. This can be linked with Bell et al's (2003) 'traditional' firms, which the researchers accordingly defined as those firms that are slow to internationalise and which can exist in domestic markets for years before progressing on to the next stage and going international. In addition, the ANOVA tables revealed that company age significantly impacted on the amount of financial resources, human resources and effort allocated to developing foreign markets [F (5, 256) = 2.99, $\rho < .05$; F (5, 256) = 2.95, $\rho < .05$; F (5, 256) =4.45, $\rho < .05$]. It can thus be argued that as the small firm matures; it gains in experience and knowledge and additional funds are readily available; factors which may ultimately help in the firm's process of internationalisation.

Once a firm decides to enter an international market, it must select an appropriate organizational structure, or entry mode (Erramilli & Rao, 1993; Burgel & Murray, 2000) In this regard, the analysis of variance demonstrated that the organisational structure of the small firm impacted considerably on the level of planning dedicated to the small firm's export [F (3, 257) = 4.09, $\rho < .05$]. As such, the fact that the majority of Mauritian interviewees responded unfavourably to the planning of exporting activities can be associated to the descriptive statistics output of 'organisational form', which revealed that 60.3% of them were sole proprietorships (Mode =1).

Moreover, the type of organisational vehicle significantly impacted on the amount of financial resources allocated to developing foreign markets and on the amount of effort involved in developing foreign customer bases [F (3, 257) = 4.13, $\rho < .05$; F (3, 257) =3.22, $\rho < .05$]. The pronounced use of sole proprietorship as an organisational vehicle gives a better insight as to the results of table 9.1 whereby the majority of respondents identified the allocation of financial resources towards the development of foreign markets as inexistent. One of the characteristics of sole proprietorship is its limited sources of finance, which inevitably prevent the small firm from directing some of its funds to develop foreign markets. Also, while a sole trader can make speedy and efficient decisions, he nevertheless bears sole responsibility in decision-making. This gives rise to time constraints, which makes it even more difficult for the small firm to develop its foreign customer bases.

Likewise, the analysis of variance also showed that the type of industry had a significant impact on the level of planning for exporting products/services at F (9, 252) = 3.50, $\rho <$ .05. Such a finding corroborates that of Vermon (1972), who found that industrial sectors exhibit different propensities to internationalise. Moreover, the result gives support to the comments of Johnson and Turner (2003) who affirm that an overarching theory to explain the internationalization process of SMEs will be elusive, given the heterogeneous nature of SMEs and their respective diverse commercial environments. Additionally, there was also a significant effect of the type of industry on the amount of financial resources, human resources and effort involved in developing foreign customer bases [F (9, 252) = 3.37, $\rho < .05$; F (9, 252) = 2.35, $\rho < .05$; F (9, 252) = 2.45, $\rho < .05$].

Lastly, the ANOVA table reported a significant effect of futurity on the amount of effort involved in the development of foreign customer bases at F (4, 245) = 3.44, $\rho < .05$. This can be linked with the findings from in-depth discussions where interviewees declared that the need to develop foreign markets would be felt in a very near future, given the negative effect of globalisation on the local market.

7.3.3.4 Findings 4: Entrepreneur Characteristics & Entrepreneurial Orientation

Question 10: Personal Traits of Mauritian SMEs

The main focus on trying to grasp the entrepreneurship phenomenon has been geared towards the characteristics of individual entrepreneurs. Bollier (1999), for instance, declares that some of the most important characteristics of entrepreneurialism have their foundations in the personal traits of the entrepreneur. Gartner (1994) accordingly states that the best method to identify an entrepreneur is by investigating their behaviour. Others researchers have even associated the personality traits of entrepreneurs to the notion of success, arguing that it is an underlying characteristic of a person, which results in effective and superior performance in a job (Klemp, 1980).

As such, respondents were asked, on a 1-5 scale where 1=Very important and 5=Not at all important, to rate the extent to which different personality traits contribute to their firm's success. The data outlined in Table 7.3.21 shows the main findings of the factor analysis performed on the dataset; the principal components with a varimax rotation account for 69.10% of the variance and reveal three significant factors.

Factor and items	Factor Loading	Eigen values	% of Explained Variance	Cronbach's Alpha
Factor 1: Management Skills & Risk Taking Capabilities		5.414	28.493	0.9312
Persistence	0.644			
Risk-taking.	0.556			
Independence	0.668			
Leadership skills	0.641			
Business intelligence/acumen	0.760			
Organisational skills	0.806			
Planning skills	0.628			
Boldness	0.788			
Analytical skills	0.695			
Factor 2: Inherent Skills		4.621	24.324	0.9124
Drive to succeed.	0.847			
Self –confidence	0.763			
Action-oriented	0.698			
Creativity	0.625			
Self-discipline	0.727			
Resourcefulness	0.552			
Factor 3: Cognitive skills and Moral values		3.085	16.239	0.7228
Experience	0.632			
Ability to network	0.629			
Strong moral values	0.619			
Luck	0.649			
Total Variance Explained			69.10%	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.21: Factor analysis of Personal Trait of Mauritian SMEs

These factors are **Management Skills & Risk Taking Capabilities** (Persistence, Risk-taking, Independence, Leadership skills, Business intelligence/acumen, Organisational skills, Planning skills, Boldness, Analytical skills); **Inherent skills** (Drive to succeed, Self-confidence, Action-oriented, Creativity, Self-discipline, Resourcefulness); and **Cognitive skills and Moral values** (Experience, Ability to network, Strong moral values and Luck). The Cronbach's alpha coefficients for each factor are above 0.7, indicating the internal consistency of the present dataset.

Moreover, the two tests which pertain to the adequacy of data for factor analysis are both significant. The value of the KMO is 0.910, which demonstrates that the model is within an acceptable range for a well-specified model therefore warrants the interpretation of results. The Bartlett's Test coefficient is also significant implying that multicollinearity is not a problem for the present data. The descriptive statistics with regards to the present question are shown in Table 7.3.22.

	Very important	Important	Neither important nor unimportant	Not important	Not at all important	N	Mean	Mode
Drive to succeed.	52.49	42.91	4.60			261	1.52	1
Self –confidence	55.94	39.08	4.60	0.38		261	1.49	1
Action-oriented	47.13	45.98	6.51	0.38		261	1.60	1
Persistence	44.44	45.21	8.43	1.15	0.77	261	1.69	2
Risk-taking.	44.83	42.53	10.73	1.15	0.77	261	1.70	1
Creativity	52.11	39.85	7.28	0.38	0.38	261	1.57	1
Self-discipline	59.00	36.40	4.21	0.38		261	1.46	1
Resourcefulness	49.81	43.30	5.75	1.15		261	1.58	1
Independence	44.83	44.44	8.05	2.30	0.38	261	1.69	1
Leadership skills	54.02	37.16	6.90	1.15	0.77	261	1.57	1
Business intelligence/acumen	48.66	42.91	6.13	1.92	0.38	261	1.62	1
Organisational skills	47.69	42.69	7.69	1.15	0.77	260	1.65	1
Planning skills	49.04	44.06	4.98	0.77	1.15	261	1.61	1
Boldness	38.70	44.06	14.18	1.92	1.15	261	1.83	2
Analytical skills	44.44	42.91	11.49	0.77	0.38	261	1.70	1
Experience	59.00	32.95	8.05			261	1.49	1
Ability to network	46.36	39.08	13.03	1.15	0.38	261	1.70	1
Strong moral values	50.96	40.61	7.28	1.15		261	1.59	1
Luck	45.59	30.65	16.09	3.45	4.21	261	1.90	1

Table 7.3.22: Frequency table of Factor analysis of Personal Trait of Mauritian SMEs

Of interest to this study, are the personality traits perceived by the average respondent to be of major importance to his success. Remarkably, all the nineteen traits have mean intensities *less than 2.51*; yet, self-discipline, experience, self-confidence, drive to succeed and creativity were identified by Mauritian business owners as important ingredients in their quest for success. Alternatively, relative to the aforementioned personalities, luck, boldness, risk-taking, ability to network and analytical skills were the least considered elements by Mauritian SMEs, as indicated by their mean score intensities.

With regards to the first trait loading on **Factor 1**, 89.66% of interviewees perceived ‘Persistence’ as an important personal characteristic to achieve success (Mean=1.69). Given the financial constraints characterizing most SMEs, determination is an inherent attribute that all entrepreneurs need to possess to succeed. The above result gives support to Schumpeter’s (1934) who commented that the entrepreneur is dogged in the pursuit of his innovational ideas and simply does not give up in the face of opposition. Likewise, 82.76% of interviewees affirmed that ‘Boldness’ is an important quality that guarantees success (Mean=1.83).

Since the abovementioned characteristic requires some degree of risk-taking, it is not surprising that 87.36% of the given sample agreed that ‘risk-taking’ is a necessary ingredient to succeed (Mean=1.70). While the present finding gives much support to the entrepreneurship literature which encompasses risk taking as a major entrepreneurial characteristic, it also goes against the earlier results of this study, which demonstrate that entrepreneurs prefer to take moderate risks and embark on ventures where they are almost certain of realizing a profit.[243] There are, however, notable exceptions like this owner-manager of a printing company who argued, “Absolutely, but how much risk compounded to the trade-offs is the strategic choice you make to succeed…I think that we should take above average risk than the big boys are taking. I think that the size of

[243] Risk is assumed only when the opportunity for reward is sufficiently large enough to warrant the risk.

our business already entails more risk than big companies… we should also take more risk because we know we'll be able to master any situation".

Alternatively, 89.27% of the given sample stipulates that 'Independence' is essential (Mean=1.69). Such a finding is in accordance with Bibby (2006) who argues that one facet that separates entrepreneurs from the rest is their independent spirit. Comments from in-depth interviews, in turn, divulged that entrepreneurs started their business because they wanted to be the masters of their own destiny. The main reasons towards this drive for independence were time freedom, enabling entrepreneurs to set their own priorities and to balance their work and their family life. Highly associated with the powerful need for independence is the ability to plan as well as to execute the plan. In this regard, 93.10% of interviewees recognised the importance of 'planning skills' in understanding the risks and rewards related to their business venture (Mean=1.61). This highly contradicts the earlier findings of the study, which showed that relatively few Mauritian entrepreneurs were engaged in planning activities. It can be argued in this situation that even if most local SMEs consider it important to possess planning abilities, time and financial constraints prevent them from carrying out the above activities.

'Leadership skills', on the other hand, were attested by 91.19% of the sample as an important driver of success (Mean=1.57). The respondents further commented that because their employees contributed largely to their firm's success, good leadership skills were important to inspire the latter with a sense of passion in order to motivate them. This is in line with the commentaries of this in-depth interview respondent who declared," The personality of the CEO percolates down the organization… You will find SMEs thriving and becoming big companies based on the charisma of the entrepreneur…and Leadership is the main thing…." Moreover, 'business intelligence/acumen' was also regarded by 91.57% of the sample as a necessary quality for success (Mean=1.62). The above reflects the inquisitive mind of the entrepreneur and his inherent and subconscious desire to learn from everything, which he will later on apply when conducting business.

In addition, 90.38% of the interviewees declared that ‘Organizational skills’ were important attributes that they should possess (Mean=1.65). As such, these skills reflect the SME owners’ ability to meet deadlines, to achieve and maintain expected productivity levels, as mentioned earlier, were much valued by respondents. Such a result also corresponds to the various commentaries gathered from in-depth interviews, where for example, an owner-manager declared “…he must be responsible and honour delivery dates…” when asked about the different traits that make an entrepreneur successful. The last trait loading on the Management Skills & Risk Taking Capabilities factor, ‘analytical skills,’ were considered by only 87.36% as an important personal trait needed to achieve success (Mean=1.70). Such a finding is in line with the previous findings of the study where it was found that entrepreneurs did not spend much time in solving problems through analysis; they instead prefer to be more action-oriented..

Factor 2 was termed Inherent Skills, because compared to factor 1, the factor items that it regroups, relates to inborn characteristics of the entrepreneur. In this case, all the traits loading on the present factor were viewed positively by the majority of respondents (frequency percentage > 90%). With regards to the first factor item, 95.40% of interviewees identified ‘Drive to succeed’ as primordial (Mean=1.52). The literature on entrepreneurship further explains that entrepreneurs, with such a personal trait, are those who see the bigger picture and are often very ambitious. The ‘drive to succeed’ can further be related to ‘persistence’ and ‘boldness’ -discussed previously-, since the former encompasses the courage to stay committed regardless of any impediments that may arise.

In a similar vein, 95.02% of the sample declared that it is important to exuberate self-confidence in order to succeed (Mean=1.49). It can be argued in this instance that entrepreneurs must demonstrate extreme self-confidence to cope with the risks of operating their own business. Such a result can be linked to the ‘Drive to succeed’ trait because self-confident entrepreneurs are those that remained focused and determined to achieve their goals and have entire faith in their ability to achieve them. Furthermore, 91.95% of the sample claimed that possessing the ability to bring something new into existence, that is creativity, was an important determinant of business success (Mean=1.57). With regards to this trait, some respondents further added that creativity is an essential characteristic of entrepreneurs. This reflects the characteristics of 'the pioneers of new paths', identified by Marshall (1961), who argued that innovation[244] was needed in all level of the organisation. In addition, 93.10% of respondent also affirmed that being action-oriented is crucial (Mean=1.60). Successful entrepreneurs are action-oriented because they possess a high need for achievement, which motivates them to turn their ideas into action.

95.40% of respondents declared that 'self-discipline' is an important predictor of business success (Mean=1.46). Such a personal characteristic relates to the entrepreneur's ability to stay focused and stick to a schedule and deadlines, which is reflective of other personal attributes like organisational skills which was previously discussed. The last item loading on factor 2, resourcefulness, which is the ability to work without or with limited resources, was attested by 93.10% of interviewees as a quality that entrepreneurs must possess if they want their company to be viable (Mean=1.58). Such ingenuity has been reflected almost everywhere; it has been particularly apparent in the way local SMEs carried out their promotional campaigns which were simple and inexpensive, but yet imaginative.

With respect to **Factor 3** labelled Cognitive skills and Moral values**,** 91.95% of the SMEs asserts that their business success depends on their level of experience (Mean=1.49). It is thought that owner-managers with vast experiences are more able to find new openings for their business venture. The result is further supported by findings from in-depth discussion commentaries, where for instance, an interviewee responded, "For his enterprise to be successful, the entrepreneur should be experienced (…). I've acquired experience throughout these 35 years. (…) and this has, more often than not, helped the company to survive." The importance of experience for small business success has also been highlighted in past studies. Haswell et al.[245] note that the major reasons behind

[244] It is to be noted that creativity is an essential element of innovation.
[245] In Zimmerer and Scar-borough (1998)

business failures are managerial and experiential incapabilities. However, Kim[246] found that 30% of successful entrepreneurs have no work experience relative to only 3% of unsuccessful entrepreneurs (significant at $p = 0.01$).

Pertaining to ‘Strong moral values’, 91.57% affirmed that such values were a primordial ingredient for success (Mean=1.59). Respondents further explained that their behaviour must be underlain by a great sense of integrity and honesty vis-à-vis their employees and customers because these will have a direct bearing on the company’s reputation. Results from in-depth interviews are also in accordance with the above. For example, while an in-depth interviewee stated, “My major strengths are that I’m trustworthy and sincere towards my clients,” another one declared “I believe that he must have good moral character (…)” and “We are the best in the market (…) to keep up this position we have to maintain a good relationship with our clients, continue to be honest”.

Alternatively, 85.44% of respondents were of opinion that because small businesses would always need assistance, the ‘ability to network’ would be positively related to success (Mean=1.70). Good entrepreneurs are those who realize they cannot do everything on their own and who skilfully manage to integrate intricate social networks with the ultimate aim of building long-lasting relationships. Lastly, only 76.25% of respondents believed that their success is strongly influenced by random events, that is luck (Mean=1.90). Undeniably, luck holds its importance in the entrepreneur’s success, but is most certainly not the sole determinant. Mauritian respondents do not, as such, hold Kihlstrom and Laffont’s (1979) view, which stipulate that luck is the only determinant of entrepreneurial success. Indeed, local owner-managers attribute their success to a mixture of personal characteristics, where luck is viewed as that external factor which creates the opportunity for them to be successful.

[246] In Meng and Liang, (1996)

Question 11: Local SMEs' Self-efficacy levels

Earlier entrepreneurship studies[247] have focused on evaluating the extent to which a person's traits can lead to entrepreneurial actions. However, because static personality characteristics have not been effective in consistently determining entrepreneurial activity (Sandberg and Hofer, 1987), the recent literature has instead focused on the use of self-efficacy constructs. Self-efficacy has been defined as the individual's conscious belief in his own ability to bring about desired results in the performance of a particular task (Bandura, 1997). Its relationship with entrepreneurship is based on the ground that individuals may be more inclined to pursue entrepreneurship if they believe that they possess the necessary skills to function in such an environment.

Question 11 has been partly based on the Entrepreneurial Self Efficacy (ESE) construct developed by Chen et al (1998) to capture the extent to which SME respondents believe they are capable of performing the tasks associated to their business environment. As such, respondents were asked to rate on a 1-5 scale, where 1= 'Completely unsure' and 5= 'Completely sure', the degree of certainty in their ability to carry out 24 tasks relating to various aspects namely: innovation, financial management, marketing, risk-taking and general management.

Factor and items	Factor Loading	Eigen values	% of Explained Variance	Cronbach Alpha
Factor 1:Strategic Management		15.521	28.209	0.9538
Develop new ideas	0.6646			
Perform financial analysis.	0.6172			
Set and meet sales goals	0.8496			
Conduct market analysis	0.7315			
Develop new markets	0.7286			
Develop new products or services	0.7411			
Reduce risk and uncertainty	0.7263			
Conduct strategic planning	0.6401			
Establish a competitive position in the market place	0.6232			
Establish and achieve goals and objectives	0.6038			
Factor 2: Operation Management		1.317	26.907	0.9564
Define organizational goals, responsibilities and policies	0.5101			
Take calculated risk	0.5747			
Develop new methods of production	0.5316			
Develop new marketing plans & strategies.	0.7361			

[247] Lumpkin and Dess (1996); Ahmed (1985); Begley and Boyd (1987); Miner et al. (1989); Lumpkin and Erdogan (1999).

Apply new management techniques.	0.8095			
Make decisions under risk and uncertainty.	0.7380			
Develop a financial system.	0.6708			
Develop a quality system	0.6794			
Develop internal controls	0.6584			
Implement a marketing mix	0.7691			
Factor 3: Human Resource Management		1.183	19.972	0.9298
Reducing employee conflict	0.8107			
Increasing staff motivation and productivity	0.8469			
Implementing a performance and reward system	0.7594			
Negotiate with financial institution.	0.7207			
Total Variance Explained			75.087	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.23: Factor Analysis of Local SMEs' Self-efficacy levels

A factor analysis with the 24 items was run to examine the underlying factor structure of the instrument using the Principal components method with Varimax rotation. Based on an eigenvalue of 1 as a cut-off point for factor extraction, a 3-factor solution, explaining 75.09% of the total variance, was obtained. These factors were labelled: strategic management, operation management and human resource management. Reliabilities of the three factors exceeded the recommended the cut-off point of 0.70 (Nunnally, 1978). The KMO measure is 0.954,[248] indicating the data are adequate for factor analysis. Moreover, the observed significance level of the Bartlett's test of sphericity, which is another indicator of the strength of the relationship among variables, is significant (*p< 0.00*).

	Completely unsure	Relatively unsure	Neither sure nor unsure	Relatively sure	Completely sure	N	Mean	Mode
Increasing staff motivation and productivity	0.78	5.81	27.91	44.57	20.93	258	3.79	4
Reducing employee conflict	0.77	8.08	27.69	41.92	21.54	260	3.75	4
Negotiate with financial institution.	1.93	6.95	28.57	39.77	22.78	259	3.75	4
Develop new ideas	1.15	9.23	20.38	53.08	16.15	260	3.74	4
Establish and achieve goals and objectives	1.54	8.08	27.31	44.23	18.85	260	3.71	4
Define organizational goals, responsibilities and policies	1.93	7.34	28.19	43.24	19.31	259	3.71	4
Develop new products or services	1.54	8.88	27.41	45.17	16.99	259	3.67	4
Develop new methods of production	1.93	7.72	27.80	46.72	15.83	259	3.67	4
Implementing a performance and reward system	1.54	8.46	30.38	41.54	18.08	260	3.66	4

[248] The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed.

Develop a quality system	2.70	6.95	29.73	42.86	17.76	259	3.66	4
Take calculated risk	2.69	8.46	29.62	38.85	20.38	260	3.66	4
Develop internal controls	2.69	8.85	29.23	44.23	15.00	260	3.60	4
Set and meet sales goals	3.08	11.54	26.15	43.08	16.15	260	3.58	4
Make decisions under risk and uncertainty.	2.69	6.54	37.69	37.31	15.77	260	3.57	3
Perform financial analysis.	2.70	9.27	30.50	45.17	12.36	259	3.55	4
Reduce risk and uncertainty	1.54	10.38	35.00	39.62	13.46	260	3.53	4
Develop new markets	4.63	8.49	32.43	39.00	15.44	259	3.52	4
Conduct strategic planning	3.08	10.77	30.38	43.08	12.69	260	3.52	4
Establish a competitive position in the market place	3.08	11.92	29.62	41.92	13.46	260	3.51	4
Implement a marketing mix	2.69	8.46	38.85	38.46	11.54	260	3.48	3
Apply new management techniques.	3.09	7.34	39.77	38.61	11.20	259	3.47	3
Develop new marketing plans & strategies.	3.85	8.85	38.46	34.23	14.62	260	3.47	3
Develop a financial system.	2.69	11.92	35.38	37.31	12.69	260	3.45	4
Conduct market analysis	5.43	10.47	30.62	40.31	13.18	258	3.45	4

Table 7.3.24: Frequency table of of Local SMEs' Self-efficacy levels

The second output from the analysis is the table of descriptive statistics for all the variables under investigation; typically the mean, mode and the number of respondents (N) who participated in the survey are given. On average, the Mauritian owner-manager was 'relatively' to 'completely' sure about the different tasks described above except for the implementation of a marketing mix, the application of new management techniques, the development of new marketing plans and strategies, the development of a financial system and the conduct of market analysis, where mixed feelings were reported (their mean score intensities were between *2.51* and *3.50*). It could be argued that individuals with a strong sense of self-efficacy in a given domain are likely to approach difficult problems in that domain with persistence and are less likely to be deterred by high levels of complexity or difficulty (Gist and Mitchell, 1992).

The first **Factor 1**, **Strategic Management**, represents the set of decisions and actions that an organization undertakes in order to create and sustain competitive advantages. In this regard, 69.23% 62.16% and 54.44% of the sample respectively declared that they were sure of themselves when developing new ideas, new products or services and new markets (Mean=3.74; Mean= 3.67; Mean=3.52). While the results from question 10 indicated that the majority of respondents viewed creativity as an important determinant of success, the present finding provides evidence that besides valuing the concept of creativity, local SME owners were comfortable with it too. Yet even if the ability to develop new ideas is reflective of the long term survival of all organizations, the mean intensity with respect to the item ‘conduct market analysis’ nevertheless showed that, on average, the Mauritian entrepreneur had mixed feelings regarding their capacity in identifying and quantifying the key features of a market (Mean=3.45).

On the other hand, barely half of the sample (53.08%) stipulated that they were competent in reducing risk and uncertainty (Mean=3.53). In this respect it has been propounded that the ability to evaluate risk is closely linked with the strategic planning process. Yet, only 55.77% of respondents declared that conducting strategic planning was within their capabilities (Mean=3.52). It can as such be argued that Mauritian entrepreneurs will not be capable of dealing effectively with risk and uncertainty if the strategic planning process -which assists in the diagnosis of its potential impact-, is not properly developed[249]. The finding that only 55.38% affirmed that they were capable of establishing a competitive position in the market place (Mean=3.51) may also be associated to the above because it is an effective strategic planning that gives a firm a competitive advantage over its competitors.

Alternatively, while 63.08% of respondents affirmed that they were capable of establishing and achieving goals and objectives (Mean=3.71), 59.23% argued that they were confident in setting sales goals and meeting them (Mean=3.58). On the other hand, only 57.53% of respondents believe they were capable of performing financial analysis (Mean=3.55). The present finding can be explained by the fact that 78.16% of the sample was reported to have attended primary or secondary school education level only; as such they do not fully understand the importance of financial analysis as an aid to detect problems and consequently to identify the requirements of the firm. This is also in line with past studies[250], which divulged that the owner/manager lacks the necessary financial management skills required to ensure an appropriate balance between their ongoing trading activities and their working capital position. Chaston and Mangles (2002) further

[249] See also De Geus (1997) and Ruefli, Collins and Lacugna (1999).
[250] Peel and Wilson (1996) and Kargar and Blumenthal (1994)

claimed that the owner-manager of small firms often lack the competence to develop a financial plan which is perceived as commercially viable by external lenders.

Factor 2, Operation Management, encompasses operations such as production, marketing to reach the set goals. Results within that factor showed that 62.55% of the sample of entrepreneurs exhibited a strong belief in their own abilities upon defining organizational goals, responsibilities and policies (Mean=3.71). Again, this is not surprising since one of the critical components of strategic planning is the definition of organisational goals. On average, the local entrepreneur expressed his confidence regarding the development of new production methods (Mean=3.67). It is to be noted that it is the drive for success and the need for survival that incite the owner-manager to find out better and innovative production methods that will reduce the firm’s cost of production, enabling it to be or remain competitive.

Alternatively, 59.23% and 53.08% of respondents correspondingly argued that they were confident in their abilities when taking calculated risk and making decisions under risk and uncertainty (Mean=3.66; Mean=3.57). The above is in line with both earlier findings as well as the literature review of this study where it was found that the entrepreneur was a calculated risk-taker who liked achievable challenges and was as such only prepared to take realistic risks.

On average, the Mauritian owner-manager declared that he was sure about developing a quality system in their companies (Mean=3.66). As such, respondents recognised the need to demonstrate their capability to provide a continuous quality standard for their products and services, as it is no longer sufficient to provide products and services that conform to certain standards. The setting up of quality systems enable entrepreneurs to guarantee that the required quality is obtained at appropriate cost. When asked to describe their system, responses were various; while some interviewees referred to their quality systems as either in-house or ad hoc, others stipulated that they used ISO, which is an internationally recognised certification standard for quality.

In a similar vein, a strong sense of self-efficacy was identified with respect to the statement item, developing internal controls (Mean=3.60). This is not surprising, given the limited resources characterizing the SME; owner-managers have to efficiently manage the firm's resources to avoid and eliminate wastage and reduce costs consequently.

Contrastingly, respondents had, on average, mixed feelings with regards to their capacity in implementing a marketing mix and developing new marketing plans & strategies (Mean=3.48; Mean=3.47). This corroborates the earlier findings of this study as well as that of past studies which indicated that SMEs owners had a scant notion of marketing and its different components, resulting in an inability to successfully carry thorough marketing activities. Likewise, only 49.81% of the SME sample was unsure as to their ability to apply new management techniques (Mean=3.47). Lastly, the fact that half of the sample (50.00%) declared that they were not conversant with the development of a financial system in their firm (Mean=3.45) further support the findings of factor 1 relating to the statement item 'perform financial analysis'.

Factor 3, Human Resource Management, refers to the ability of the entrepreneur to attract and retain key individuals in his company. Such a human resources component has also been found to be a critical self-reported skill of high-growth entrepreneurs in Eggers et al (1994) and De Noble, Jung and Ehrlich (1999). In this perspective, 63.46%, 65.50% and 59.62% of interviewees that were respectively confident in their ability to reduce employee conflict, increase staff motivation and productivity and implement a performance and reward system (Mean=3.75; Mean=3.79; Mean=3.66). In the current competitive market environment, motivated employees and their contributions are the necessary currency for the organization's survival and success (Chan, 2004). It is to be noted that motivational factors in an organizational context also include an appropriate organizational reward system. Hickins(1998) explains that the reward system influences motivation primarily through the perceived value of the rewards and their contingency on performance.

The only factor item unrelated to HRM practices, 'Negotiate with financial institution', was viewed by 62.55% of the sample as a task that they felt certain to bring to completion (Mean=3.75). This can be related to the findings of question 10 which divulged that 85.44% of interviewees who identified the ability to network as an important driver of success. Crucial to the survival of SMEs is indeed their ability to obtain the financial support of financial institutions such as banks, in view of their limited resources.

Question 12: Business and Personal Objectives of SMEs

The literature posits that there is a positive relationship between business and personal objectives of an entrepreneur and success thereof of the enterprise. Question 12 sought to measure the degree of importance attached to various business and personal objectives of entrepreneurs through a battery of 21 statements that were derived from the literature. As can be seen in Table 7.3.24, most statements were rated as either important, or very important, or neither important nor unimportant.

	Very important	Important	Neither important nor unimportant	Not important	Not at all important	N	Mean	Mode
Increase the profitability of the business.	49.81	37.16	12.26		0.77	261	1.65	1
Retain independence as a business owner.	44.06	41.00	13.41	0.77	0.77	261	1.73	1
Build up a pension fund.	11.49	37.55	38.31	9.96	2.68	261	2.55	3
Increase leisure time.	18.46	41.92	26.54	8.85	4.23	260	2.38	2
Increase personal asset base.	24.52	49.04	20.69	3.83	1.92	261	2.10	2
Improve standard of living.	31.42	48.66	15.33	2.30	2.30	261	1.95	2
Be recognised as a successful business owner.	46.36	38.31	13.41	1.15	0.77	261	1.72	1
Increase the size of the business.	41.76	39.85	14.94	1.92	1.53	261	1.82	1
Invest in labour saving equipment/technology.	30.27	41.76	23.75	3.07	1.15	261	2.03	2
Repay borrowings.	37.84	40.93	17.76	2.32	1.16	259	1.88	2
Pass business (or shares) to children.	21.07	34.87	31.03	9.58	3.45	261	2.39	2
Become the owner of a larger business.	34.87	37.55	24.52	1.92	1.15	261	1.97	2
Carry on as you are.	7.66	36.78	37.93	7.28	10.34	261	2.76	3
Not looking for any	7.31	22.31	37.69	19.62	13.08	260	3.09	3

changes at present.								
Raise funds for expansion.	25.67	44.44	25.67	2.68	1.53	261	2.10	2
Expand the management team.	13.79	30.27	40.61	6.90	8.43	261	2.66	3
Sell all or part of business.	3.07	13.79	29.12	24.14	29.89	261	3.64	5
Expand by buying another business.	12.64	22.22	34.87	12.26	18.01	261	3.01	3
Narrow the range of business activities.	6.54	16.15	30.38	25.00	21.92	260	3.40	3
Find partner to share the business risk.	5.36	15.71	24.14	23.37	31.42	261	3.60	5
Get a job working for someone else.	3.45	15.33	23.37	16.86	41.00	261	3.77	5

Table 7.3.25: Frequency table business and personal objectives of SMEs variables

In order to identify underlying constructs in the data, factor analysis was employed with the principal component method to generate the initial solution. The KMO measure of sampling adequacy was 0.877, and the Bartlett's test of sphericity (Chi-Square =3036.94, $p<0.01$) showed the data adequacy for factorization. The varimax normalized rotation was used which indicated that a four factor solution, with eigenvalues greater or equal to one, would explain in total 65% of the variance in the data set. The following table illustrates the results of the factor analysis and the corresponding factor loadings greater than 0.4 are reported. To ensure the reliability and internal consistency of each derived factors, Cronbach's alpha was computed and the results showed that all four factors were reliable with coefficient alpha's greater than 0.7, which is greater than the minimum of 0.5 recommended by Nunnally (1967).

Factor and items	**Factor Loading**	**Eigen values**	**% of Explained Variance**	**Cronbach Alpha**
Factor 1: Business Objectives for Success		6.670	24.020	0.8825
Increase the profitability of the business.	0.7608			
Retain independence as a business owner.	0.6734			
Be recognised as a successful business owner.	0.7666			
Increase the size of the business.	0.8045			
Invest in labour saving equipment/technology.	0.6158			
Repay borrowings.	0.6242			
Become the owner of a larger business.	0.6962			
Raise funds for expansion.	0.6610			
Factor 2: Business Growth & Resizing Objectives		3.993	19.757	0.875
Expand the management team.	0.6639			
Sell all or part of business.	0.7767			

Expand by buying another business.	0.7659			
Narrow the range of business activities.	0.8106			
Find partner to share the business risk.	0.8184			
Get a job working for someone else.	0.7570			
Factor 3: Personal Objectives		1.891	12.512	0.7921
Build up a pension fund.	0.7667			
Increase leisure time.	0.8322			
Increase personal asset base.	0.6947			
Improve standard of living.	0.5554			
Pass business (or shares) to children.	0.4247			
Factor 4: Maintain Status Quo		1.100	8.731	0.7962
Carry on as you are.	0.8245			
Not looking for any changes at present.	0.8036			
Total Variance Explained			65.02	

Table 7.3.26: Factor analysis business and personal objectives of SMEs variables

As can be seen from the table above, eight statements loaded heavily on factor one, which explained most of the variance (24%) in the data. A scrutiny of the statements revealed that they were all related to the importance of doing the right business maneuvers to ensure the success of their enterprises. For example, SME owners/managers valued highly the importance of increasing the profitability of the business, retaining independence as a business owner, be recognized as a successful entrepreneur, increase the size of the business, repay borrowings and so on. Consequently, this factor was labeled ‘Business Objectives for Success’, as it meant that these entrepreneurs considered the above mentioned business objectives as either important or very important with regards to managing their SME.

Of the twenty-one statements, six of them loaded on factor two, which explained 19.7% of total variance. The items associated with this factor pertains to the growth or downsizing aspects of the business, as shown by statements such as ‘expand the management team’, ‘sell all or part of the business’, ‘expand by buying another business’, ‘narrow the range of business activities’ and so on. These items clearly confirm previous findings that both business growth and limiting expansion are business objectives that are set conscientiously by entrepreneurs. Not all of them want their business to grow indefinitely. Consequently this factor was labeled ‘Business Growth and Resizing Objectives.’ Accounting for 12.5% of the variance, with an eigenvalue of 1.89, factor three is loaded with five items that refer to the personal objectives behind managing their enterprises. For example, building a pension fund, increasing leisure time, increase personal asset, improve standard of living and pass on business shares to children rated highly in importance as personal objectives of these entrepreneurs. This factor was labeled ‘Personal Objectives.’

The fourth factor accounted for 8.7% of variance, with two items loading on it namely ‘carry on as you are’ and ‘not looking for any changes at present.’ This factor clearly suggests that these entrepreneurs were not looking for any business growth at the moment. Hence it was labeled ‘Maintaining Status Quo.’

Moreover, to investigate any significant relationships between the 21 statements and overall marketing orientation, analysis of variance was conducted with Scheffe post hoc comparison of means. The results showed that six items had significant relationships with overall market orientation. These items were: increasing the personal asset base, not looking for any changes at present, expand the management team, narrow the range of business activities, find partner to share the business risk, and get a job for working for someone else. However, post hoc comparison of means showed that those entrepreneurs that rated the overall market orientation of their business as neither good nor poor on average were not looking for any changes in their business at present, which indicates a positive relationship between the two variables ($p=0.034$). A positive relationship could be established between those entrepreneurs who perceived their overall business market orientation to be neither good nor poor and the importance of being able to expand their management team ($p=0.016$). Those who rated that item on average as neither important nor unimportant were more likely to rate their market orientation as neither good nor poor.

A similar relationship can be inferred for the two variables market orientation and narrowing the range of business activities ($p=0.001$). Those who rated on average narrowing the range of business activities as neither important nor unimportant, rated their market orientation as neither good nor poor. Similarly, those who rated their market orientation as being on average good did not perceive narrowing their range of business activities as being important (p=0.008).

Significant relationships were also found between overall customer loyalty and statements such as retaining independence as a business owner, improving standard of living, be recognized as a successful business owner, become owner of a larger business, not looking for any changes at present, narrow the range of business activities and get a job working for someone else. Post hoc comparison's revealed only three significant differences. For example, those who on average rated customer loyalty as high, rated on average improving standard of living as important (p= 0.031).

A relationship could also be inferred for the two variables overall customer loyalty and narrow the range of business activities (p=0.001). Those who on average rated their overall customer loyalty as moderately high rated on average narrowing the range of business activities as neither important nor unimportant. A similar relationship was identified between overall customer loyalty and get a job working for someone else (p=0.006). Those who on average rated overall customer loyalty as moderately high perceived on average getting a job for someone else as unimportant. Significant relationships were also found between eleven statements and overall customer satisfaction. However, Scheffe post hoc tests confirmed only eight as being really meaningful in terms of differences in means.

Furthermore, there was a significant positive relationship between overall customer satisfaction and increasing the profitability of the business. Those entrepreneurs that on average rated their customers as being neither satisfied nor dissatisfied rated the importance of increasing profitability lower compared to those whose rated satisfaction as being moderately high or very high ($p<0.01$). In a similar way those who rated on average customer satisfaction levels as being neither high nor low, rated the importance of retaining independence of their business as an owner lower (p=0.026) compared to those who reported moderately high or very high customer satisfaction levels. This implies that there is a positive link between the ability to satisfy customer needs and attempting to grow the business as well as retaining the business. A significant relationship was found between repayment of borrowings and overall customer satisfaction. On average, the higher the satisfaction levels, the more importance entrepreneurs attached to repayment of borrowings ($p=0.037$). This is because the more satisfied the customers are, the more profitable the business and the easier it becomes to repay capital borrowings. On average those entrepreneurs that were not looking for any changes in their business at present, rated their overall customer satisfaction levels as moderately high ($p=0.039$), which implies that they were quite happy to maintain status quo given that their customers were more or less satisfied with their offer.

In a similar vein, a significant relationship was found between 'sell all or part of the business' and overall customer satisfaction. On average those entrepreneurs that rated their customers as being neither satisfied nor dissatisfied , rated lower the importance of selling all or part of their business compared to those that reported low levels of satisfactions ($p<0.01$). Those that rated on average customer satisfaction levels as high, rated very low the importance of selling all or part of their business ($p=0.029$). Those that rated their customers' satisfaction levels as being moderately high rated on average selling part of or all of their business as not important ($p=0.032$).

A significant relationship was also reported between 'narrowing the range of business activities' and 'overall customer satisfaction.' Those respondents that rated on average customer satisfactions as being very high rated lower the importance of narrowing their range of business activities compared to those that reported moderately satisfied customer satisfaction levels ($p<0.01$). Those that rated satisfaction levels on average as being 'very high' rated narrowing business activities as not important compared to those that reported their customers as being neither satisfied nor dissatisfied, who rated the same business objective as neither important nor unimportant ($p<0.01$). Interestingly, a significant relationship was identified between 'finding a partner to share business risk' and 'overall customer satisfaction.' On average those entrepreneurs that reported high customer satisfaction levels rated higher the importance of finding a business partner compared to those who reported their satisfaction levels as being neither high nor low ($p=0.002$).

Those who reported on average their customer satisfaction levels as being neither high nor low rated higher the importance of getting a job working for someone else compared to those who reported very high levels of customer satisfaction ($p<0.01$). Significant differences in mean ratings were also found between those that on average reported moderate satisfaction levels and those who reported their customers as being nether satisfied nor dissatisfied ($p=0.014$). The former rated on average lower the importance of getting a job working for someone else compared to the latter.

In addition, analysis of variance revealed that significant difference existed between fifteen of the twenty-one statements and overall marketing competitiveness. Post-hoc comparisons, however, revealed that only twelve of those fifteen were meaningful differences. Those entrepreneurs that on average reported their overall marketing competitiveness as being very good rated higher the importance of increasing business profitability compared to those who rated their marketing competitiveness as being neither good nor poor ($p=0.001$). Those who rated on average their marketing competitiveness as being neither good nor poor rated increasing business profitability as neither important nor unimportant compared to those who reported overall marketing competitiveness of their business as being good ($p=0.004$). Those who reported on average their marketing competitiveness as being poor rated higher the importance of increasing business profitability compared to those who rated their overall marketing competitiveness as being neither good nor poor ($p=0.026$). Those who rated on average their marketing competitiveness as being neither good nor poor rated lower the importance of retaining independence as a business owner compared to those who rated their overall marketing competitiveness as being very good ($p<0.01$).

On average those who rated their marketing competitiveness as being neither good nor poor rated lower the importance of retaining independence as a business owner compared to those who rated their overall marketing competitiveness as being good ($p=0.043$). On average those who reported their marketing competitiveness as being very good assigned higher importance to increasing their leisure time compared to those who reported their overall marketing competitiveness as being neither good nor poor ($p=0.028$). Increasing the asset base was rated higher in importance on average by those who reported very good overall marketing competitiveness compared to those who reported neither good nor poor marketing competitiveness ($p<0.01$). Those that reported good marketing competitiveness rated on average the importance of increasing personal asset base higher compared to those who reported neither good nor poor marketing competitiveness ($p=0.002$). Those who reported very good marketing competitiveness rated on average the importance of increasing personal asset base higher compared to those who reported neither good nor poor marketing competitiveness ($p=0.011$). A relationship of a similar nature can be inferred from those who rated on average their overall marketing competitiveness as being good compared to those who reported neither good nor poor marketing competitiveness ($p=0.036$).

Being recognized as a successful business owner was more important on average to those who reported very good overall marketing competitiveness compared to those who reported neither good nor poor marketing competitiveness ($p=0.039$). Increasing the size of the business was rated higher in importance by those who reported very good overall marketing competitiveness compared to those who reported neither good nor poor marketing competitiveness ($p=0.027$).

A relationship of similar nature can be inferred from those who rated on average their overall marketing competitiveness as being good compared to those who reported neither good nor poor marketing competitiveness for the statement increasing the size of the business ($p=0.009$). Those who rated on average their overall marketing competitiveness as being poor assigned a higher level of importance to increasing the size of their business compared to those who reported their overall marketing competitiveness as being neither good nor poor ($p=0.013$). investing in labour saving equipment and technology was perceived to be more important on average to those that reported very good overall marketing competitiveness compared to those who reported neither good nor poor marketing competitiveness ($p=0.005$).

Becoming the owner of a larger business was of more importance to those that rated on average their marketing competitiveness as being very good compared to those who reported neither good nor poor marketing competitiveness (p=0.036). A relationship of a similar nature can be inferred between those who rated on average their overall marketing competitiveness as being good compared to those who reported neither good nor poor for that statement (p=0.035). Raising funds for expansion was of higher importance to those that rated on average their marketing competitiveness as being very good compared to those who reported neither good nor poor marketing competitiveness (p=0.027).

In the same way, raising funds for expansion was of higher importance to those that rated on average their marketing competitiveness as being good compared to those who reported neither good nor poor marketing competitiveness (p=0.008). Those who rated on average their marketing competitiveness as being poor rated the importance of raising funds for expansion higher compared to those who reported neither good nor poor marketing competitiveness (p=0.038). Narrowing the range of business activities was of lesser importance to those who reported very good overall marketing competitiveness compared to those who reported neither good nor poor marketing competitiveness (p=0.022). getting a job working for someone else was assigned a higher importance by those who rated on average their marketing competitiveness as being neither good nor poor compared to those who rated their marketing competitiveness as being very good (p=0.007).

Furthermore, a significant relationship was found between overall strategic orientation and the statement narrowing the range of business activities. Those who rated on average their overall strategic orientation as being good assigned lower importance to narrowing their range of business activities compared to those who rated their strategic orientation as being neither good nor poor (p=0.027).

Significant relationships were also found between some of the statements and demographic information such as level of education, number of years working for the company and organizational form. For example, those who described their level of education as being ‘other’ assigned more importance to building a pension fund compared to those who had primary or secondary education levels (p=0.047). Those who had a diploma qualification assigned a higher level of importance to building a pension plan compared to those who described their education level as ‘other’ (p=0.041). Those who have been working for their business between 10 and 12 years assigned more importance on average to investing in labour saving equipment and technology compared to those who have work only between 1 and 3 years (p=0.037). Finally, building up a pension fund was more important for those in a partnership form of business enterprise compared to those who where operating as a limited company (p=0.013).

7.3.3.5 Findings 5: Networking

Question 13: Reliance over Networking

The role of networking in determining the success of SMEs has been emphasized in both the literature and the qualitative research findings. For example, Gilmore et al. (2001) argued that SME marketing in practice is thought to be largely done through networking or a combination of transaction, relationship, interaction and network marketing (Brodie et al., 1997). Following this line of thought, respondents were asked to indicate the extent to which they rely on local or international networking for their marketing activities, using a rating scale of one to five, where 1= to a great extent and 5=not at all. As can be seen from the following table, 23.6% of all respondents indicated that they relied on networks for developing new products, 22.4% made use of networks for gathering marketing intelligence, 28.3% used it for identification of trends in the market place, 26.2% used networks to monitor domestic competitors, and 14.7% for monitoring of international competitors. These results seem to indicate that entrepreneurs perceive networking as a form of market research activity. It helps them to keep abreast of developments in the broader marketing macro-environment. These results corroborate with those of Collinson and Shaw (2001), which showed that, by accessing market information from their personal contact networks, entrepreneurs are able to keep informed about, and to identify market opportunities and to respond to these in innovative ways, often involving the development and introduction of new products.

Similarly, networking is used in the supply chain to identify potential suppliers (28.9%), which indicates that trust and reliability that come from word-of-mouth from other fellow entrepreneurs might have an impact on choice of potential suppliers. In the realm of consumer satisfaction, networking features prominently as a factor for relationship building. This is shown by the fact that 29.7% of respondents mentioned that they relied on networking to attract and retain potential customers. To a certain extent, networking is also a factor influencing HR practices, as 15.4% of respondents use networking to recruit new employees. New product developments which is often dependent on acquiring new technology is to some extent dependent on the views of other entrepreneurs on using a particular technology. In this respect, 28.9% of respondents relied on networks for acquiring new technology, which could also be related to favourable price negotiation with other members in the network. However, table 7.3.27 also shows that a significant number of entrepreneurs do not use networking or were unconvinced of the added value that networking could bring to their small businesses.

Question 13					
Descriptive Statistics					
	To a great extent	Many	Neutral	Some	Not at all
Develop new products.	18.60	23.64	26.36	15.12	16.28
Gathering marketing intelligence.	9.65	22.39	33.20	15.44	19.31
Identify new trends in the market.	13.18	28.29	25.19	17.44	15.89
Monitor competitors in home market.	12.36	26.25	26.64	13.51	21.24
Attract/retain potential customers.	22.39	29.73	20.08	13.51	14.29
Identify potential suppliers.	20.08	28.96	22.78	16.60	11.58
Monitor competitors outside home market.	6.95	14.67	30.89	13.51	33.98
Recruit new employees.	7.34	15.44	35.91	16.22	25.10
Acquire new technology.	10.81	28.96	23.55	16.60	20.08

n=263

Table 7.3.27: Frequency table of SMEs reliance on networking variables

Analysis of variance was used to identify any significant differences between reliance on networking and overall marketing orientation of small firms. The literature posits a positive relationship between the two, that is, reliance on networking should enhance the marketing activities of SMEs thereby improving their marketing orientation. Clearly from the table below, it can be seen that using networking capabilities to monitor domestic and international competitors have a significant influence on overall market orientation (F=2.603, p-level=0.037; F=4.193, p-level=0.003). This is not surprising as both focus groups and in-depth interviews participants indicated how SMEs struggle to invest and conduct market research, particularly with respect to monitoring competitors, and very often their reliance on networks of collaborative entrepreneurs allow them to keep informed of changes in the market place.

Overall Market Orientation						
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Monitor competitors in home market.	Between Groups	18.27	4	4.568	2.603	**0.037**
	Within Groups	428.24	244	1.755		
	Total	446.51	248			
Monitor competitors outside home market.	Between Groups	26.47	4	6.618	4.193	**0.003**
	Within Groups	385.15	244	1.578		
	Total	411.62	248			
Acquire new technology.	Between Groups	15.85	4	3.963	2.375	0.053
	Within Groups	407.12	244	1.669		
	Total	422.97	248			

n=263

Table 7.3.28: ANOVA of SMEs reliance on networking variables and overall marketing orientation of small firms

Conventional marketing wisdom posits that the end goal of marketing is customer satisfaction and repeat purchase. A significant relationship between customer satisfaction and networking would be expected both for large and small companies, as shown by the results in Table 7.3.28. In essence, building networks or relationships with customers ensure the long-term profitability of a business. Hence, a significant relationship between networking and customer satisfaction was found. In particular, reliance over networking contributed positively towards developing new products (F=2.971, p-level=0.032), which is perceived to enhance customer satisfaction.

Reliance on networks also enabled small firms to identify new trends in the market compared to those that did not engage in networking (F=3.085, p-level=0.028), and hence responding to those market trends contributed positively towards customer satisfaction. Entrepreneurs perceived that networking positively contributed to their ability to attract and retain potential customers (F=5.072,p-level=0.002), which eventually enhanced the satisfaction levels of their customers. As mentioned previously, networking also contributed to identify potential suppliers, which enabled SMEs to eventually meet expectations of customers, thus contributing to greater satisfaction levels. A significant relationship between acquiring new technology and networking was also found (F=3.441, p-level=0.017). The latest technology would enhance the ability of SMEs to develop new products and improve existing ones, and networking allowed them to acquire these technologies, which eventually enhanced customer satisfaction.

Overall Customer Satisfaction						
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Develop new products.	Between Groups	15.97	3	5.324	2.971	**0.032**
	Within Groups	437.15	244	1.792		
	Total	453.13	247			
Identify new trends in the market.	Between Groups	15.03	3	5.009	3.085	**0.028**
	Within Groups	396.18	244	1.624		
	Total	411.21	247			
Attract/retain potential customers.	Between Groups	26.65	3	8.882	5.072	**0.002**
	Within Groups	429.02	245	1.751		
	Total	455.66	248			
Identify potential suppliers.	Between Groups	19.62	3	6.542	4.072	**0.008**
	Within Groups	393.56	245	1.606		
	Total	413.19	248			
Acquire new technology.	Between Groups	17.10	3	5.700	3.441	**0.017**
	Within Groups	405.87	245	1.657		
	Total	422.97	248			

n=263

Table 7.3.29: ANOVA of SMEs reliance on networking variables and customer satisfaction

Also, significant relationships were found between entrepreneurs overall perceptions of the future of SMEs and networking capabilities in specific areas as shown in Table 7.3.30. For example, those who relied on networking for developing new products had a more positive future outlook for SMEs in Mauritius than those who did not rely on networking (F=4.124, p-level=0.003). Those who perceived their reliance on networking allowed them to gather marketing intelligence, were more optimist about the future compared to those who did not (F=2.864, p-level=0.024). Similarly, those who relied on networks for identification of new trends in the market were in general more optimistic about the future of SMEs than those who did not (F=3.214, p-level=0.014). The reliance over networking capabilities for customer attraction and retention led to those entrepreneurs being more optimistic about the future of small enterprises compared to those who relied to a lesser extent on networks (F=3.745, p-level=0.006). Those who did not rely to a great extent on networking had far more pessimistic views of the future of SMEs in Mauritius compared to those who relied on networking to acquire new technologies (F=4.220, p-level=0.003). Surprisingly, a significant relationship was also found between ethnic group and reliance over networking to acquire new technology (F=3.801, p-level=0.005). For example, entrepreneurs of Chinese ethnicity tend to rely more on networking for acquiring new technology compared to entrepreneurs from ‘general population’.

Overall Future						
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Develop new products.	Between Groups	28.80	4	7.201	4.124	**0.003**
	Within Groups	424.32	243	1.746		
	Total	453.13	247			
Gathering marketing intelligence.	Between Groups	17.41	4	4.354	2.864	**0.024**
	Within Groups	369.42	243	1.520		
	Total	386.84	247			
Identify new trends in the market.	Between Groups	20.53	4	5.133	3.214	**0.014**
	Within Groups	386.43	242	1.597		
	Total	406.96	246			
Attract/retain potential customers.	Between Groups	26.14	4	6.535	3.745	**0.006**
	Within Groups	424.04	243	1.745		
	Total	450.18	247			
Acquire new technology.	Between Groups	27.48	4	6.869	4.220	**0.003**
	Within Groups	395.49	243	1.628		
	Total	422.97	247			

n=263

Table 7.3.30: ANOVA of SMEs reliance on networking variables and overall perceptions of the future of SMEs

Analysis of variance also revealed that there were significant relationships between reliance on networking and number of years that the entrepreneurs had been working/managing the company as shown in Table 7.3.31 below. Post-hoc comparison of means using Scheffe's method revealed that, for example, those who relied on networking for developing new products had been working/managing the small business far longer than those who relied lesser on networking (F=2.873, p-level=0.015). Similar relationships could be inferred for the following marketing activities as well. Those who relied on networking for gathering marketing intelligence had been working or managing a small business far longer than those who relied to a lesser extent on that factor (F=3.101,p-level=0.010). The identification of new trends in the market place through the use of networks were more prominent among those that had been working or managing a small business for a longer time compared to those who were less dependent on networking (F=3.271, p-level=0.007). The acquisition of new technology through a reliance on networks was more prominent among entrepreneurs who had been working or managing small enterprises for a longer period of time compared to those that did not (F=2.448, p-level=0.035).

Number of Years Working for the Company						
ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Develop new products.	Between Groups	23.92	5	4.785	2.873	**0.015**
	Within Groups	388.04	233	1.665		
	Total	411.97	238			
Gathering marketing intelligence.	Between Groups	22.02	5	4.405	3.101	**0.010**
	Within Groups	332.37	234	1.420		
	Total	354.40	239			
Identify new trends in the market.	Between Groups	24.63	5	4.925	3.271	**0.007**
	Within Groups	350.86	233	1.506		
	Total	375.49	238			
Acquire new technology.	Between Groups	19.66	5	3.933	2.448	**0.035**
	Within Groups	375.92	234	1.606		
	Total	395.58	239			

n=263

Table 7.3.31: ANOVA of SMEs reliance on networking variables and number of years that the entrepreneurs

Interestingly, significant relationships could also be established between the number of years the firm had been operating and reliance over networking, as shown in table 7.3.32 below. Clearly, the results seem to suggest that the longer the company had been in operation, the more it relied on networking for successful completion of key marketing activities. For example, the data showed a significant relationship between reliance on networking for developing new products and number of years the company was in operation (F=3.235, p-level=0.008). Companies that were in operations for 7years or longer relied more on networking compared to those who were in existence for less than 7years. In a similar way, significant relationships could be established between gathering marketing intelligence and years of operation of the company (F=2.452, p-level=0.034). Those companies operating for 7 years and longer relied more on networking for market research activities in comparison to those who had been in operation for fewer years. The significant relationship between identification of new trends in the market place and company's age (F=3.346, p-level=0.006) was in nature similar to the relationships described previously, where the longer the firm had been in operation, the more it relied on networking. Comparable inferences can be made for significant relationships between acquisition of technology and reliance over networking (F=3.015, p-level=0.012).

Company Age						
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Develop new products.	Between Groups	27.47	5	5.494	3.235	**0.008**
	Within Groups	428.05	252	1.699		
	Total	455.52	257			
Gathering marketing intelligence.	Between Groups	18.22	5	3.643	2.452	**0.034**
	Within Groups	375.83	253	1.485		
	Total	394.05	258			
Identify new trends in the market.	Between Groups	25.97	5	5.195	3.346	**0.006**
	Within Groups	391.27	252	1.553		
	Total	417.24	257			
Acquire new technology.	Between Groups	24.58	5	4.915	3.015	**0.012**
	Within Groups	412.44	253	1.630		
	Total	437.01	258			

n=263

Table 7.3.32: ANOVA of SMEs reliance on networking variables and number of years the firm had been operating number of years that the entrepreneurs

7.3.3.6 Findings 6: SMEs in Mauritius

Question 14: SMEs in Mauritius

The preliminary qualitative phase of this study raised a number of issues that were critical in determining the marketing success or failure of SMEs in Mauritius. The findings from the focus group and in-depth interviews were used as the basis for designing 28 attitude statements that dealt with specific marketing issues of relevance to small enterprises. Respondents were asked to indicate the extent to which they agreed or disagreed with those statements on a rating scale of one to five where 1=Strongly agree and 5=Strongly disagree. Table xxx shows that on average respondents mostly agreed that there is little to no formal marketing planning done by SMEs in Mauritius (mean=2.5, mode=2). They mostly agreed that marketing activities tend to be limited to trade fairs and promotion (mean=2.6, mode=2), and indeed that marketing planning was short term focused as opposed to long term (mean=2.6, mode=2). Yet, most of them neither agreed nor disagreed that marketing planning was considered an annual budgeting exercise (mean=2.66, mode=3) or that they relied heavily on word-of-mouth for advertising their products (mean=2.39, mode=3).

Descriptive statistics	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	N	Mean	Mode
There is little to mere formal marketing planning done by SMEs.	11.92	43.85	28.08	10.77	5.38	260	2.54	2.00
SMEs' marketing activities are limited to trade fairs & promotion locally and abroad.	10.34	37.55	35.63	10.73	5.75	261	2.64	2.00
Marketing planning is considered as an annual budgeting exercise.	6.15	39.23	41.92	7.69	5.00	260	2.66	3.00
SMEs have no long term marketing plans for their business.	13.03	35.25	34.87	11.88	4.98	261	2.61	2.00
SMEs focus more on price as opposed to other elements of the marketing mix to maintain their competitive advantage.	10.34	42.53	31.42	11.11	4.60	261	2.57	2.00
SMEs rely a lot on word of mouth to advertise their product.	23.37	31.03	33.33	8.05	4.21	261	2.39	3.00

SMEs have very limited abilities to conduct market research in Mauritius.	20.77	41.54	25.38	8.85	3.46	260	2.33	2.00
SMEs have no formal monitoring process for understanding competitors.	14.23	38.08	34.23	11.15	2.31	260	2.49	2.00
SMEs focus on product & service quality to retain customers.	22.22	45.59	27.59	3.45	1.15	261	2.16	2.00
SMEs spend a lot of time, resources & effort on attracting new customers.	17.69	43.85	29.62	7.31	1.54	260	2.31	2.00
SMEs are not innovative in terms of their product lines.	5.77	20.38	39.23	21.54	13.08	260	3.16	3.00
SMEs have limited facilities for capital borrowing and access to finance.	24.23	43.08	26.15	5.77	0.77	260	2.16	2.00
SMEs measure success of new products in terms of additional sales/ profits it brings to the firm.	11.92	50.38	32.69	4.23	0.77	260	2.32	2.00
SMEs rely a lot on networking for product innovation.	12.64	37.16	41.00	5.75	3.45	261	2.50	3.00
SMEs rely much on networking to understand changes in customers' needs and preferences.	11.49	37.55	41.76	7.28	1.92	261	2.51	3.00
SMEs rely much on networking to identify market opportunities.	10.77	38.85	39.23	8.46	2.69	260	2.53	3.00
SMEs have difficulties in competing outside local markets.	29.89	34.10	28.74	6.51	0.77	261	2.14	2.00
SMEs must focus on exporting to increase their customer base and production.	13.03	33.72	39.85	9.96	3.45	261	2.57	3.00
SMEs are hampered by inflexible labour laws in terms of hiring and firing of employees.	11.54	30.77	43.46	12.69	1.54	260	2.62	3.00
SMEs receive adequate support from the various institutions devoted to promote the entrepreneurial culture in Mauritius.	9.23	25.38	28.08	23.46	13.85	260	3.07	3.00
SMEs' success is severely limited by the flooding of imported products on the local market.	26.15	37.31	27.31	7.69	1.54	260	2.21	2.00
SMEs must have access to preferential rates from services such as electricity, water, and telephone.	33.46	33.08	22.69	8.85	1.92	260	2.13	1.00
SMEs do not have adequate access to knowledge on foreign markets gathered by government	30.77	42.69	20.77	4.62	1.15	260	2.03	2.00

related institutions.								
Different support schemes should be created for SMEs in the service sector.	31.92	42.31	22.31	2.69	0.77	260	1.98	2.00
The creation of an industrial park with all the necessary infrastructures should be a priority of the government.	25.00	42.31	27.31	3.85	1.54	260	2.15	2.00
Bureaucracy involved in setting up of SMEs, access to markets, participation in trade fairs, access to finance, should be reviewed to improve competitiveness.	34.23	38.46	24.23	2.31	0.77	260	1.97	2.00
Adequate training facilities that are tailored to specific sectors would boost the performance of SMEs as opposed to generic training programmes.	33.33	39.85	22.22	3.83	0.77	261	1.99	2.00
Communication flows between SMEs and the public sector must be improved to facilitate dissemination of information and opportunities available in the market place.	37.31	37.31	23.08	1.54	0.77	260	1.91	1.00

Table 7.3.33: Frequency table of SMEs in Mauritius variables

As shown in the table above, most statements were either rated as ‘agree’ or ‘neither agree or disagree’, with the exceptions of statement 22 and statement 28. Statement 22 dealt with the access of preferential rates for services such as electricity, water and telephone by SMEs. Most entrepreneurs strongly agreed or agreed to that statement (mean=2.13, mode=1). Statement 28 was related to communication flows between SMEs and the public sector that need improvement as shown by most respondents strongly agreeing (mean=1.91, mode=1). In order to identify potential constructs in this data set, factor analysis was run. The KMO measure of sample adequacy was 0.9103, and Bartlett’s test of sphericity reached a value of 4841.06, p-level<0.01. Both tests indicated the suitability of the data set for factorization. Principal component analysis was used initially to extract the factors and then rotated orthogonally using Varimax to ensure more meaningful results. As with previous analyses, factors with eigen values of greater than or equal to one were retained, and factor items with loadings of 0.4 or greater were chosen for interpretation. The computation for internal stability revealed high values of Cronbach’s alpha coefficient for most factors: α=0.92 for Factor 1, α=0.89 for Factor 2, α=0.88 for Factor 3, α=0.65 Factor 4, and α=0.49 for Factor 6. Because a Cronbach's alpha of only 0.7 is considered substantially stable, only the results for four factors were interpreted. The results initially showed that six factors were extracted, explaining in total 70% of the variance in the data as shown in Table 7.3.34 below.

Factor and items	Factor Loading	Eigen values	% of Explained Variance	Cronbach's Alpha
Factor 1:Support Facilities & Growth Barriers		6.366	22.737	0.9281
SMEs have limited facilities for capital borrowing and access to finance.	0.5089			
SMEs have difficulties in competing outside local markets.	0.6258			
SMEs' success is severely limited by the flooding of imported products on the local market.	0.6568			
SMEs must have access to preferential rates from services such as electricity, water, and telephone.	0.7142			
SMEs do not have adequate access to knowledge on foreign markets gathered by government related institutions.	0.7521			
Different support schemes should be created for SMEs in the service sector.	0.8297			
The creation of an industrial park with all the necessary infrastructures should be a priority of the government.	0.7596			
Bureaucracy involved in setting up of SMEs, access to markets, participation in trade fairs, access to finance, should be reviewed to improve competitiveness.	0.8160			
Adequate training facilities that are tailored to specific sectors would boost the performance of SMEs as opposed to generic training programmes.	0.8190			
Communication flows between SMEs and the public sector must be improved to facilitate dissemination of information and opportunities available in the market place.	0.8135			
Factor 2: Marketing Related Constraints on Growth & Performance		4.124	14.727	0.893
There is little to mere formal marketing planning done by SMEs.	0.7903			
SMEs' marketing activities are limited to trade fairs & promotion locally and abroad.	0.8381			

Marketing planning is considered as an annual budgeting exercise.	0.7113			
SMEs have no long term marketing plans for their business.	0.8011			
SMEs focus more on price as opposed to other elements of the marketing mix to maintain their competitive advantage.	0.5620			
SMEs rely a lot on word of mouth to advertise their product.	0.5352			
SMEs have very limited abilities to conduct market research in Mauritius.	0.5759			
Factor 3: Networking Capabilities		3.706	13.237	0.8814
SMEs measure success of new products in terms of additional sales/ profits it brings to the firm.	0.5616			
SMEs rely a lot on networking for product innovation.	0.9045			
SMEs rely much on networking to understand changes in customers' needs and preferences.	0.9135			
SMEs rely much on networking to identify market opportunities.	0.9069			
SMEs are hampered by inflexible labour laws in terms of hiring and firing of employees.	0.4643			
Factor 4: Response Strategy for Market Environment		2.277	8.131	0.6534
SMEs have no formal monitoring process for understanding competitors.	0.5690			
SMEs focus on product & service quality to retain customers.	0.5744			
SMEs spend a lot of time, resources & effort on attracting new customers.	0.5784			
Factor 5:		1.616	5.770	n/a
SMEs must focus on exporting to increase their customer base and production.	0.7713			
Factor 6:		1.535	5.481	0.4943
SMEs are not innovative in terms of their product lines.	0.8049			
SMEs receive adequate support from the various institutions devoted to promote the entrepreneurial culture in Mauritius.	0.7250			
Total Variance Explained			70.082	

Table 7.3.34: Factor analysis of SMEs in Mauritius variables

As can be seen from the table above, Factor one explained 22.7% of the variance in the data and statements loading on this factor were related to: the limited facilities available for SMEs to borrow capital and having access to finance; inability to compete outside of their home market, the perceived negative impact of imported products on the local market; preferential rates for services; inadequate access to knowledge on foreign markets; support schemes for SMEs in the service sector specifically; creation of industrial parks for SMEs, reduction of bureaucracy in setting up and running SMEs; adequate training courses provided; and improved communication flows between the public sector and SMEs. A close examination of these statements revealed that all of them were either related to supporting infrastructures for SMEs development or barriers to growth. Consequently factor one was labeled support facilities and growth barriers.

Factor two explained 14.7% of the variance and statements loading on this factor were: little or no formal marketing planning carried out by SMEs; marketing activities limited to trade fairs and promotion; marketing planning is considered as an annual budgeting exercise; no long-term marketing plans for SMEs; more consideration given to price as an element of the marketing mix as opposed to other elements to maintain competitive advantage; reliance on word of mouth to advertise their products; limited abilities to conduct market research in Mauritius. An analysis of these factor items revealed that most statements pertained to constraints on growth and performance with respect to marketing activities specifically. Hence, the label of 'marketing related constraints on growth and performance.' Some of the items loading on the previous factor were specifically constraints that were general in nature as opposed to being focused on the marketing function.

Factor three contributed 13.2% to the explanation of total variance. Five statements loaded on this particular factor, namely: SMEs measure success of new products in terms of additional sales/ profits it brings to the firm; SMEs rely a lot on networking for product innovation; SMEs rely much on networking to understand changes in customers' needs and preferences; they rely much on networking to identify market opportunities; and SMEs are hampered by inflexible labour laws in terms of hiring and firing of employees.

Scrutinizing these statements reveal that networking is a business phenomenon embedded in many of the marketing activities of small firms and success is dependent on being able to network as well as generating additional sales/profits from new product development. The statement that pertains to inflexible labour laws loaded on this particular factor most probably because entrepreneurs mentioned in the qualitative phase of the study that due to labour market inflexibility, they tend to rely on networks of collaborative businesses to hire employees. Hence, this factor was named ‘networking capabilities.’ Factor four explained 8.1% of total variance and three statements loaded on this particular factor namely: SMEs have no formal monitoring process for understanding competitors; SMEs focus on product & service quality to retain customers; and SMEs spend a lot of time, resources & effort on attracting new customers. These statements tend to refer to the response strategy that small firms have when faced with changes in the market environment. Consequently, this factor was labeled ‘response strategy for market environment.’ Factors five and six were not interpreted due to their low internal consistencies as shown by the low Cronbach’s alpha values.

7.3.3.7 Findings 7: Internationalisation

Question 22: The international orientation of owner-managers of SMEs

There is an extensive literature, which identifies the international orientation of the owner-manager as a key determinant of the nature and extent of internationalization. Cavusgil and Godiwalla (1982) argue that the internationalisation decision is characterised by the absence of deliberate logical steps and is constrained by the subjective view and perceptions of the decision maker. This can be linked to the concept of *international orientation*, as identified by Wiedersheim-Paul (1978), that is, the internationalisation process is by and large determined by the international outlook of the decision maker. While within a larger firm, the decision making process would probably be a group activity; within the small firm, this would tend to rest with the owner manager.

In this respect, Question 22 relates to the degree of importance attached by the strategic leader to a range of factors (where 1= very important, 2=important, 3=neither important nor unimportant, 4=not important and 5=not at all important). The results, with regards to the international experience and orientation of Mauritian owner-managers as antecedents to, and drivers of, SME internationalization are disclosed below.

A factor analysis was used, in the first instance, as a data reduction procedure to establish whether certain variables (under investigation) were perceived by owner-managers as similar. The reliability of the scales for this data was found to satisfactorily meet Nunally's (1978) recommendation, as the Cronbach's alpha exceeded 0.7. The Kaiser-Meyer-Oklin (KMO) statistic indicated a value of 0.90, which, according to Hutcheson and Sofroniou (1999), is a superb measure of sampling adequacy. Moreover, the determinant coefficient, which related to the correlation matrix of question 22, was greater than 0.00001 implying therefore that multicollinearity was not a problem. As such, all questions were fairly correlated and none of the correlation coefficients were particularly large; as such there was no need to consider eliminating any statement at this stage. In addition, the Barlett's Test of Sphericity for these data was highly significant ($p<.001$), supporting the appropriateness of factor analysis.

Factor analysis of International orientation				
Factor and items	**Factor Loading**	**Eigen value**	**% of Explained Variance**	**Cronbach's Alpha**
Factor 1: 'International business scanning'		4.6001	46.0010	0.9357
Developing links with international business networks (formal and informal international contacts)	0.8936			
Having a network of foreign friends/colleagues.	0.8882			
Experience of foreign cultures.	0.8480			
Learning about foreign markets.	0.7893			
Undertaking foreign visits for business.	0.7734			
Encouraging foreign visitors to the enterprise.	0.7023			
Knowledge about foreign competitors.	0.6158			
Factor 2: 'Staff international exposure'		3.2821	32.8214	0.9300
Paying for language training for key staff within the enterprise.	0.9200			
Encouraging language learning by key staff within the enterprise.	0.9106			
Encouraging foreign visits for key staff within the enterprise.	0.8591			
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.35: Factor analysis of International orientation

An examination of the factor analysis communalities showed that 'Undertaking foreign holidays' value indicated that it did not fit well with the factor solution, and was consequently dropped from the analysis. The results of the factor analysis depicted in Table 7.3.35 produced a two-factor varimax rotated solution with Kaiser normalisation, concerning managers' international orientation. Within this, factor 1 pertained to what might be termed as 'International business scanning', whereby entrepreneurs undertook a series of interrelated actions to gain a better understanding of the different international markets opened up to them. On the other hand, questions that loaded highly on factor 2 seem to be related to the inducement of key staff towards an international experience; therefore, this factor might be labelled 'Staff international exposure'. With regards to the above, an analysis, with descriptive statistics, was performed to have a better understanding of the international orientation of Mauritian entrepreneurs.

International orientation	Very important	Important	Neither important nor unimportant	Not important	Not at all important	N	Mean	Mode
Undertaking foreign visits for business.	22.61	40.20	19.60	7.54	10.05	199	2.42	2
Undertaking foreign holiday.	10.10	26.26	34.85	14.14	14.65	198	2.97	3
Encouraging foreign visits for key staff within the enterprise.	6.57	22.22	38.89	14.65	17.68	198	3.15	3
Encouraging language learning by key staff within the enterprise.	4.04	23.23	37.37	16.67	18.69	198	3.23	3
Paying for language training for key staff within the enterprise.	3.57	16.33	43.37	15.82	20.92	196	3.34	3
Learning about foreign markets.	12.18	40.61	29.44	6.60	11.17	197	2.64	2
Knowledge about foreign competitors.	7.54	34.67	34.17	6.53	17.09	199	2.91	2
Experience of foreign cultures.	11.11	37.88	30.81	8.08	12.12	198	2.72	2
Developing links with international business networks (formal and informal international contacts)	16.58	42.71	23.12	6.53	11.06	199	2.53	2
Having a network of foreign friends/colleagues.	20.10	41.21	23.12	8.04	7.54	199	2.42	2
Encouraging foreign visitors to the enterprise.	13.13	36.87	29.29	9.09	11.62	198	2.69	2

Table 7.3.36 Frequency table of International orientation (n=263)

Table 7.3.36 shows that networking contributes largely to '**International business scanning'**, which supports the SMEs internationalization theory propounding that SMEs make wide use of networks to carry out their international activities. The descriptive statistics from Table 22.2 showed that Mauritian entrepreneurs recognised the importance of 'Developing links with international business networks' (59.29%) and 'Having a network of foreign friends/colleagues' (61.31%). As an in-depth interviewee has it: "we have many international contacts; they are predominantly suppliers who are very well aware of the market trend… with years of trade, these suppliers have become our friends and since they're in the same business, their advice is of paramount importance…". This further supports the internationalization literature, specially the network approach theory, which propounds that the boundaries of the firm are not only determined by formal relationship but also by informal, personalized linkages.

Moreover, the networking theory is a naturally inherent aspect of SME owner-manager decision-making, which may be used as a way to scan international market. This was highlighted by McClelland et al. (2005) when they advocated that entrepreneurs made use of a series of networks to develop contacts in new markets and capture international sales. Similarly, Hill and McGowan (1996) argued that SMEs used networks to gain business advantage through better quality information and to gain a better understanding of customer needs and wants, to increase awareness of changes in the supply channel and to gain a better understanding of competitor activity.

The correlation matrix from the factor analysis shows that the correlations for both networking-related statements are positive, significant and correlate fairly well with ‘Learning about foreign markets’, ‘Experience of foreign cultures’, ‘Encouraging foreign visitors to the enterprise’ and ‘Knowledge about foreign competitors’. It may thus be argued that networking - through for example friends, suppliers and customers- contribute significantly towards increasing the knowledge of entrepreneur on foreign markets, foreign cultures and international competitors. This is in line with the network internationalization model which propounds that firms utilize networks to access foreign markets (Smolarski and Wilner, 2005).

It also follows from Table 7.3.36, that more than 50% of respondents (62.81%) agreed upon the importance of ‘Undertaking foreign visits for business’. While only 22.61% actually considered going abroad for business purposes as ‘very important’, 40.20% promptly declared that foreign business trips were ‘important’. This is in line with the findings of the in-depth interviews, which revealed that local SMEs are always in search of new ideas and new production processes, which will breathe new life into their business and which, more importantly, will allow them to be on the same competitive edge as their foreign and local competitors.

Additionally, ‘learning about foreign markets’ (52.79%), ‘Knowledge about foreign competitors’ (42.21%), ‘Experience of foreign cultures’ (49.25%) and ‘Encouraging foreign visitors to the enterprise’ (50.00%) also gained positive responses. This tallies perfectly with the attitude of the Mauritian entrepreneur who is always seeking to gain a greater knowledge and understanding of the market that will help him better satisfy his clients, attract new clients, be competitive and ultimately advance in terms of business perspective. In addition, such eagerness of learning about foreign markets, foreign competitors, and foreign cultures might come from the risk-aversion of most in-depth interviewees who clearly stressed that they were only prepared to take calculated risks with regards to new business ventures. One in-depth interviewee for example declared, "the risk taken should be a measured one… I think that we should be more cautious than big companies because we are not as financially strong as they are." As such, acquiring the above-mentioned knowledge is critical to them to secure their internationalisation activities.

With regards to 'Staff international exposure', table 22.2 shows that most SME owners were neutral in relation to 'Paying for language training for key staff within their enterprise', 'Encouraging language learning by key staff within the enterprise' and 'Encouraging foreign visits for key staff within the enterprise'. The reasons as to why the majority of local entrepreneurs did not attach much importance to encouraging their employees towards an international exposure was clearly delineated from the findings of both in-depth interviews and focus groups.

An in-depth interviewee declared "… we cannot rely on local workers…". This may be explained by the distrust of local entrepreneurs vis-à-vis their employees predominantly caused by the problem of high labour turnover brought up in the in-depth interviews. As such, local entrepreneurs are disinclined to provide an environment conducive to an international bearing to their staff. Consequently, paying for foreign languages for their staff may be regarded as an unnecessary expense, which can be avoided. The 36.74% of respondents, who respectively rated language training for key staff as 'not important' (15.82%) and 'not at all important' (20.92%), provides support to the above. In addition, the limited size of the SME implies that the entrepreneur will use his manpower in a versatile way. Hence, providing training to key staff, will entail that employees may be dispensed from work, causing disruptions in the daily operations of the small firm.

Question 23: Market entry strategies

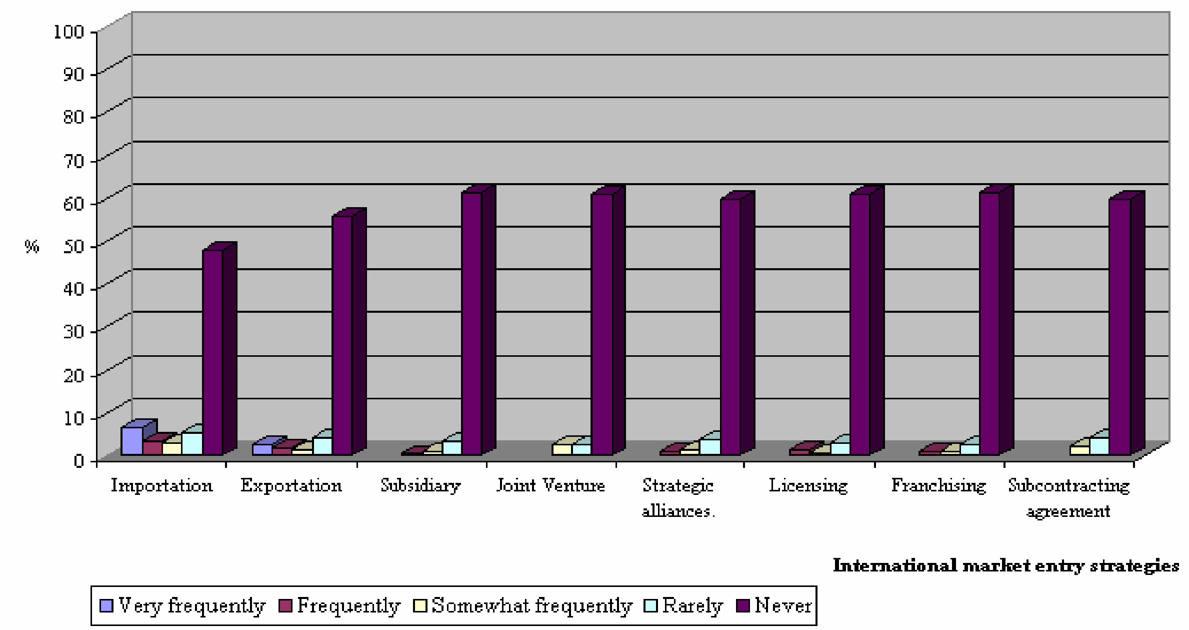


Figure 7.3.7: Market entry strategies of SMEs (n=263)

One school of thought in the literature on SMEs internationalization posits a positive relationship between the international experience of the strategic leader and the development of foreign markets. Such an analogy, it can be argued, may entail that international experience will have important implications for entry strategy selection. Moreover, it has also been propounded that as firms gain more international experience, the level of uncertainty regarding such foreign operations will decrease, which will, in turn, increase the likelihood of such firms using high cost/high control entry strategies. Correspondingly, those firms with less international experience are more likely to enter a foreign market through joint ventures as a means of sharing the risks and responsibility.

Entry strategy was measured by asking respondents to indicate the frequency with which international strategies were used. As demonstrated above, the majority of interviewees had never undertaken any of the above international strategies. This gives credit to Weinrauch et al.'s (1991) remarks that small firms are reputed for a narrow customer base and that customers are usually concentrated in the local market. Altogether, 52 (19.77%) firms were reported to have at least adopted one of the eight stated international strategies. Below are the frequency percentage distributions of the different strategies adopted by those firms.

International strategies	Cumulative Percentage Distribution
Importation	92.30%
Exportation	51.92%
Subsidiary	25.00%
Joint venture	26.92%
Strategic Alliances	32.69%
Licensing	26.92%
Franchising	25.00%
Subcontracting agreement	36.69%

Table 7.3.37: Market entry strategies of SMEs

With regards to importation, out of the 92.30% respondents who declared to have been initiated to 'Importation', 35.42 % acknowledged that this mode of entry was used 'Very frequently' in their companies; 18.75 % affirmed that they did importation on a 'Frequent' basis; 16.7% reported that they did it 'Somewhat frequently' and 29.2% avowed that importation was 'Rarely' used. The above results correspond to that of the ENSR's (2003) survey, which found that foreign supply relationships are the most common form of internationalization. The survey further highlighted that SMEs in small countries more often have foreign suppliers than SMEs in large countries. A more recent study, undertaken by Hessel (2005), further supports the above since ha has argued thatthe most cited international business activity among Dutch SMEs was imports.

On the other hand, 51.92% of the interviewees affirmed that they used 'Exportation' as an international strategy. While 25.9% declared that they exported 'Very frequently', 18.5% and 14.8% respectively pointed out that they did exportation 'Frequently' and 'Somewhat frequently'. The majority of respondents (40.75%) however, argued that exportation was done 'Rarely'. Such results are in sharp contrast with the literature on

SMEs' internationalisation, which advocates that SMEs predominantly engage in exporting when internationalising their activities. Yet, this corresponds to the findings of the in-depth interviews which divulgate that even if the opportunities to diversify into exporting are perceived in a positive light interviewees (37.9%), the rest preferred to focus on the domestic market as opposed to exporting. The above also concur with the findings of the De Chazal du Mée's (1997) study, which revealed that only few Mauritian SMEs embarked onto exporting activities.

'Strategic alliance', altogether with 'subcontracting agreement' was the third most popular internationalisation entries mostly adopted by Mauritian SMEs. Out of the 32.69 % of respondents acknowledging the adoption of 'Strategic alliances' as an international strategy, 41.1% actually stipulated that this strategy was used 'Frequently' and 'Somewhat frequently'. The results coincide with the expectations of Chung et al (2006) and Hoffmann et al (2001) who stated that SMEs used strategic alliances as a way to overcome their operational weaknesses. When asked about the preferred international vehicle when going international, an in-depth interviewee replied, "…I'll go in group because my partners will be experienced, they'll know a lot about the market and that'll be a big advantage…"

Alternatively, market entry modes that required some form of direct investment were not extensively used by Mauritian firms in the sample. 26.92% reported that they used the joint venture form and 25.00% were via wholly owned subsidiaries. Within the 25.0% who stipulated that they were acquainted with using subsidiaries, only 7.7% declared that it was done 'Frequently' while 23.1% and 69.2% respectively stated that this international strategy was employed 'Somewhat frequently' and 'Rarely'. Conversely, from the 26.92% who affirmed that they used 'Joint venture' as a vehicle for internationalisation, 50% claimed that it was done 'Somewhat frequently' and the remaining half postulated that such mode of entry was 'rarely' used. This is in line with Buckley (1997), Mutinelli and Piscitello (1998) and Acs et al. (1997) who argue that SMEs have a tendency to use non-equity agreements instead of equity ones given the

high uncertainty and risks associated with activities at foreign locations and the large investments required to gather and process uncertainty-reducing information.
The generation of international revenues through licensing and franchising equally had a marginal role. While most responses (57.1%) pointed that ‘Licensing’ was used ‘Rarely’, 28.6% and 14.3% of respondents respectively stated that this internationalisation vehicle was utilised ‘Frequently’ and ‘Somewhat frequently’. With regards to ‘Franchising’, 25.00% of interviewees confirmed its use as an international strategy. Their views were segregated as follows: 23.1 % declared that ‘Franchising’ was used ‘Frequently’, 23.1% stipulated that they used it ‘Somewhat frequently’ and 53.8% affirmed that it was done ‘Rarely’.

A closer investigation of the frequency distributions of the different strategies showed that most of the 52 respondents were engaged in a combination of more than one form of internationalization, indicating a synergy effect in combination of several international activities European Commission (2003).

Question 24 - 30

Questions 24 – 30 pertain to those companies with foreign operations and involvement, and will be only geared towards the 52 respondents that have gone beyond the local market.

Question 24: Motives towards internationalisation

Various motives can be identified for the internationalisation of SMEs indicating a diversified approach to internationalisation. Chan (1997) accordingly writes that a synthesis of theories on international businesses and entrepreneurship are used to explain the factors contributing to the SMEs decision to internationalise. For instance, while some hypothesize that motives for internationalisation include: response to opportunities, problem resolutions and internal or external stimuli; others argue that the SMEs internationalisation activities seek to achieve cost efficiency and to decrease risks in doing international business. Moreover, given the low proportion of small businesses involved in international activities (19.77%), it is worth examining the motivation of those currently engaged in the internationalisation process.

A factor analysis with orthogonal rotation (varimax) was also run for this question to examine how underlying constructs influenced the above responses. The correlation matrix related to this question reveals that the determinant coefficient is 8.17E-007, which is greater than the necessary value of 0.00001, wiping off the problem of multicollinearity. The KMO measure is 0.804 and the Bartlett's test of sphericity is significant, that is, its associated probability is less than 0.05, implying that the correlation matrix is not an identity matrix. Moreover, the Cronbach's alpha coefficient shows that it is greater than 0.7, indicating good reliability.

Factors and items	**Factor Loading**	**Eigen value**	**% of Explained Variance**	**Cronbach's Alpha**
Factor 1: Deliberate motives		8.82	48.92	0.95
To expand the business.	0.85			
Unexpected opportunity.	0.83			
Attraction of foreign market.	0.82			
Common language.	0.81			
To diversify risk.	0.79			
Was approached.	0.77			
Access to the major hard currencies.	0.76			
Cultural similarity.	0.76			
Network opportunity.	0.74			
Geographical proximity.	0.73			
Obtain foreign credit.	0.67			
The type of business.	0.65			
Factor 2: Constraining motives		1.29	18.51	0.779
Cheaper raw materials.	0.89			
Lack of raw materials.	0.78			
Lack of domestic business.	0.54			
The type of business.	0.50			
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				

Table 7.3.38: Factor analysis of Motives towards internationalisation variables

Table 7.3.38 shows that factor 2 captures the motives that have compelled local entrepreneurs towards foreign markets and was hence termed "Constraining motives". Factor 1, on the other hand, relates to the intentional motives that have pushed SMEs towards the adoption of international strategies, and is termed as "Deliberate motives".

This is consistent to what Hollensen (1998) referred to earlier as proactive and reactive motives. Below is a detailed examination of what motivated small Mauritian businesses to look to foreign markets.

Internationalisation Motives	Very frequently	Frequently	Somewhat frequently	Rarely	Never	N	Mean	Mode
Access to the major hard currencies.	7.69	20.51	20.51	20.51	30.77	39	3.46	5
Attraction of foreign market.	5.26	36.84	15.79	10.53	31.58	38	3.26	2
Lack of domestic business.	2.63	23.68	26.32	26.32	21.05	38	3.39	3
Was approached		16.22	35.14	18.92	29.73	37	3.62	3
Obtain foreign credit.		18.42	18.42	13.16	50.00	38	3.95	5
Common language.	10.26	10.26	30.77	12.82	35.90	39	3.54	5
Geographical proximity		20.51	41.03	7.69	30.77	39	3.49	3
Cultural similarity.	2.56	17.95	28.21	25.64	25.64	39	3.54	3
Unexpected opportunity.	5.13	23.08	33.33	12.82	25.64	39	3.31	3
Network opportunity.	5.13	15.38	38.46	15.38	25.64	39	3.41	3
The type of business.	10.26	25.64	28.21	12.82	23.08	39	3.13	3
To expand the business.	17.95	33.33	20.51	7.69	20.51	39	2.79	2
To diversify risk.	7.69	23.08	30.77	12.82	25.64	39	3.26	3
Lack of raw materials.	17.95	33.33	25.64	5.13	17.95	39	2.72	2
Cheaper raw materials.	20.51	30.77	30.77	7.69	10.26	39	2.56	2

Table 7.3.39: Frequency table of motives towards internationalisation (n=52)

Deliberate Motives

Respondents preponderantly identified the market-oriented strategy-'to expand the business' (51.28%) as contributing to a great extent and to some extent to their internationalisation. It is worth noting that expanding the enterprise was the only factor with regards to 'deliberate motives' that was considered as an important stimulant to international strategies.

Conversely, the feelings vis-à-vis the 'to diversify risk' factor, considered as an efficiency related factor, was mixed. While 30.77% viewed risk diversification as an important factor contributing 'to a great extent' and 'to some extent' towards the internationalisation of their activities, 38.46% merely considered the factor as a stimulant towards the internationalisation process- responses in this case varied from 'to a lesser extent' to 'not at all'. Even if the above results contradict what has been propounded in the in-depth interviews, they may be explained by the findings in question 22, which revealed that Mauritian SMEs were more engaged in importation and exportation activities as opposed to the other mentioned strategies. The inherent implication is that entrepreneurs were not minimising risk because the majority was still dominantly operating in the local market.

‘Attraction of foreign market’ also attracted diverse opinion. For importers, the motive of gaining access to larger markets may be different according to the interpretation of 'market'. Importing products, components or services may allow the company to gain larger market shares on the domestic market for its own products or, engaging in import of goods or services for production purposes may be a way to access larger input markets and thereby lowering input prices.

Likewise, the ‘Unexpected opportunity’ statement brought up mixed responses. Still, a review of the percentage distribution for each international strategy showed that most of the positive responses such as ‘to a great extent’ and ‘to some extent’ were made by respondents engaged in exportation. The findings concord with that of Bilkey & Tesar (1977) who concluded that unsolicited orders were the most important motives for SMEs to enter into exporting activities. The responses on ‘the type of business’ also provided mixed responses; while 35.90% declared that the nature of their business propelled them ‘to a great extent’ and ‘to some extent’ on the international scene, another 35.90% viewed that it was not the main stimulant towards internationalisation.

In sharp contrast with the above results, the majority of respondents considered ‘access to the major hard currencies’ and ‘obtain foreign credit’ as motives contributing ‘to a lesser extent’ and ‘not at all’ towards the adoption of the strategies. With regards to factors like ‘Geographical proximity’, ‘Common language’ and ‘Cultural similarity’, the theory propounded by the stage model theory (which argues that SMEs concentrate on nearby locations where an engagement is not too risky and does not strain too much management capacity and financial resources) does not hold in this particular context. The responses for these three statements were actually predominantly concentrated in ‘moderately’, ‘to a lesser extent’ and ‘not at all’. The results here contradict the outcomes of the in-depth interviews where it was found that the majority of interviewees exported their products to COMESA and SADC regions.

Lastly and not surprisingly 'Network opportunity' was not pointed out as one of the major motives towards internationalization. This implies that although entrepreneurs considered networking as a tool in their internationalization process. This was nevertheless not the main motives to look to foreign markets.

Constraining Motives

With regards to constraining motives, resource-seeking strategies were found to be highly relevant here. In this respect, lack of raw materials was found to be a powerful incentive to drive firms to invest abroad (51.28%). In a similar vein, a focus group participant stated: "Mauritius is not much endowed with raw materials (…) as a result everything has to be imported for us to add on value." Moreover cost-reduction in terms of cheaper raw materials, reflecting primarily efficiency seeking strategies, was equally as important as the market seeking and resource-seeking motives. This gives support to the findings from in-depth interviews, where a food producer declared, "We are enjoying cheaper imported raw materials and this is a real advantage because our cost of production has been considerably reduced!" This is more in line with the findings of question 23 explaining the high propensity of Mauritian SMEs to import. In addition this coincides with the focus groups' findings, which identified cost of raw materials as one of the major challenges facing SMEs in Mauritius.

Unexpectedly however, "lack of domestic business" was not one of the most cited motives for modes of internationalization- as propounded by some studies and as fervently pointed out in the focus groups and in-depth interviews. 52.64% affirmed that the saturation of the local market was not a major reason to look to foreign markets- frequency distributions for these statements showed that responses mainly varied from 'moderately' to 'to a lesser extent'-. This however gives support to different national studies, which indicates that there is a relatively widespread belief among SMEs that the home market was large enough both for now and for the future.

Lastly, 'type of business' was also found to load on Component 2. A cross tabulation of this statement with 'type of industry' in the demographic section showed that respondents, who claimed that the nature of their business was a stimulant towards international markets, originated from the 'Leather & Garments', 'Paper, Products & Printing' and 'Other' sector. This is consistent with the findings of Question 23, which revealed that most Mauritian internationalizing firms operated in theses above mentioned industries.

Question 25: Intensity of initial difficulties faced by SMEs when internationalizing their activities.

With globalisation opening up potential opportunities to access global markets, SMEs are increasingly being encouraged to position themselves to take advantage of the emerging opportunity but find themselves unable to benefit because of the many constraints they face, including poor marketing infrastructure. Many researchers have propounded that the difficulties faced in the internationalisation process pose a big challenge for small companies. As such, it is obviously important to assess the major difficulties SMEs perceive as obstacles to the internationalisation process in general (Lloyd-Reason et al., 2004). Table 25.1 presents the results of the survey analysis covering 51 possible individual difficulties grouped into eight separate categories. In order to facilitate the analysis, the mode intensity score for each difficulty is reported using a 1-5 scale, ranging from 1 (not a problem) to 5 (a major problem).

Management, Resources and skills	***Mode intensity****
Management commitment and motivation	1
Commitment and motivation of other staff	1
Establishment of clear individual responsibilities	1
Effective management structure	1
Effective cost management systems	1
Establishment of strategic alliances	1

Internal company culture resistant to foreign activity	1
Re-allocation of internal resources (e.g. Sales, marketing administration support)	1
Benchmarking and feedback on international performance	1
Lack of experience and skills	1
Poor language skills	1
Capability, capacity & Quality	
Insufficient production capacity	1
Production issues (resources, flexibility)	1
Product development (new ideas)	1
Finances	
Securing adequate internal financing (through resources, profits etc.)	2
Securing adequate external financing	2
Acceptable increases in costs	2
Access and use of hard currency	2
Payment methods (late payment, currency problems etc.)	2
Earning acceptable margins on overseas activity	2
Hedging against foreign exchange exposure.	3
Lack of government assistance/funding.	4[a]
Planning Review	
Adequacy of strategic planning process	1
Review and feedback of performance, benchmarking.	2
Information	
Use of computers	1
Use of internet	1
Too much information	1
Too little information	1
Don't know where to find the information	1
Information available is of poor or inadequate quality	1
The market	
Linguistic and cultural barriers	1
Legal difficulties in overseas markets	1
Political difficulties (political stability)	1
Differences in business culture, management style and practice	2
Differences in technical advancement and standards for the product.	2
Problems accessing local infrastructure	2
Adequate knowledge of market size, structure & target sectors	2
Adequate knowledge of potential customers - how many and where they are to be found	2
Appropriateness of pricing policy	2
Product & Distribution channels	
Knowledge of distribution system	1
Problem with current distribution system	1
Effectiveness of promotional activities (e.g. advertising, direct mail, press releases)	1
Relationship with distributors	1
Relationship with customers	1
Relationship with partners	1
Relationship with sub-contractors	1
After sales/technical support	1

Packaging and labelling	1
Others	
Bureaucracy	2
High Competition	3
Obtaining contracts	2

(n=52)

Table 7.3.40: Major problems encountered by adopting an internationalised strategy

It can be seen from Table 7.3.40 that the majority of interviewees did not encounter major difficulties to their internationalisation process. It can be argued however, that given the 'fortress mentality' of the entrepreneur, there may have been an attempt by respondents to minimise the level of difficulties they may be facing so as not to divulge information with regards to their weaknesses. Nevertheless, of the eight category groupings of difficulties, the four major difficulties identified by most Mauritian SMEs were: 'Finances', 'Others', 'The Market', and the 'Planning review'.

As propounded by previous studies and revealed in this section, access to finance is the most significant constraints faced by small enterprises. A major problem for the SMEs, operating at the international level (consequent upon their size) is their low financial and non-financial resource base. Since the internationalisation process cannot be a quick process, the development of new information systems, new technology and new products demands an enormous work input, coordination and considerable financial investment.

When the data is further disaggregated into the mode intensities associated with this particular category, 'Hedging against foreign exchange exposure' (37.5%) was perceived by most Mauritian SMEs to be 'fairly a problem' (Mode=3). This provides support to the commentary of one focus group participant who argued that since "…all the transactions are done in foreign currencies, the problem of foreign exchange exposure is incontrovertible".

Interestingly, 'lack of government assistance' was reported to have multiple modes; while a majority of respondents (27.5%) pointed out that government funding was 'slightly a problem' (Mode=2), another majority contrastingly perceived this lack of assistance as 'fairly a problem' (Mode=4). This is consistent with one focus group participant who declared, “the institutions here are not interested in opening up foreign markets for SMEs, they focus more on opportunities available on the local market”, she further argued that because “…subsidies that we get are not enough; they are not sufficient enough to participate in fair trades or to export our products onto foreign markets”. In a similar vein, problems involving ‘securing adequate internal financing’ (32.5%), ‘securing adequate external financing’ (35.0%), ‘acceptable increases in costs’ (50.0%), ‘access and use of hard currency’ (45.0%), ‘payment methods’ (30.0%) and ‘earning acceptable margins on overseas activity’ (32.5%) were identified by most interviewees as *slightly* hampering the internationalisation of Mauritian SMEs (Mode=2).

With regards to the ‘Others’ category, the most significant difficulty encountered during the internationalisation process proved to be ‘High competition’ (40.0%), which corroborates the findings of the in-depth interviews, focus groups and various SME studies (Mode=3). In that respect, Kayanula and Quartey (2000) declared that even though SMEs attracted motivated managers, they could hardly compete with larger firms. On the other hand, the majority of respondents viewed ‘Bureaucracy’ (30.0%) and ‘Obtaining contracts’ (35.0%) as ‘slightly a problem’ in their internationalisation process (Mode=2).

Similarly, minor difficulties were perceived to exist in ‘differences in business culture, management style and practice’ (32.5%), ‘problems accessing local infrastructure’ (37.5%), ‘adequate knowledge of market size, structure & target sectors’ (37.5%), ‘adequate knowledge of potential customers’ (37.5%) and ‘appropriateness of pricing policy’ (40.0%)(Mode=2). Most of these statements are all marketing-related and represent core issues in developing the right international strategy for small enterprises. It follows therefore that the mode intensity of “1” pertaining to the ‘Information’ category, indicating that information was not a problem for the Mauritian entrepreneur, may be challenged. It can hence be reasoned that it is the lack of information that causes, for example, difficulties with regards to appropriate price policy, knowledge of the market size and potential customers.

Akin to the above, ‘Review and feedback of performance’ (40.0%) in the ‘Planning and Review’ category was also ranked as being slightly a problem by respondents. These results may be indicative of a more intuitive and opportunistic approach pursued by Mauritian SMEs; the fact that the latter have no formal way of monitoring their performance, as evidenced by the in-depth interview findings, is supportive of the above. Moreover, the high ranking given by respondents to difficulties involving ‘Finances’ and ‘Market’ categories, is also perhaps itself suggestive of a lack of strategic thinking on the part of local entrepreneurs. Such findings are in line with earlier studies which showed that strategy formulation in small firms tends to be a less formal and less comprehensive process, with key decision makers taking contingency-based decisions derived from the practical knowledge they hold.

It would perhaps be interesting to note the difficulties, which do *not* seem to pose problem to internationalising SMEs. In this regard, most respondents unanimously perceive the following categories as causing no difficulties to their internationalisation process: ‘management, resources and skills’, ‘capability, capacity and quality’ and ‘product & distribution channels’ (mode=1).

Question 26: Types of information required with regards to internationalisation.

For the SME firm to succeed internationally, it needs to possess the relevant specific information to take the appropriate overseas-related decisions. Chan (1997), for instance, cites that owner managers have a better perception of risks, cultural differences and similarities when they are better informed about overseas markets. Question 26 was formulated to give an insight as to the kind of information that Mauritian entrepreneurs value in relation to their international activities.

Types of Information	Very important	Important	Neither important nor unimportant	Not important	Not at all important
Information on local competition in foreign-targeted market.	38.46	38.46	5.13	12.82	5.13
Information on international competition in foreign-targeted market.	33.33	46.15	7.69	7.69	5.13
Price trends in foreign-targeted markets.	35.90	43.59	10.26	5.13	5.13

Information on buyer's preference in the foreign-targeted market.	28.21	51.28	10.26	5.13	5.13
Information on potential barriers to foreign-targeted markets.	33.33	48.72	7.69	5.13	5.13
Information on market growth rate.	23.08	56.41	10.26	5.13	5.13
Information on market size	28.21	58.97	5.13	5.13	2.56
Information on social/political background of foreign-targeted markets.	20.51	41.03	23.08	10.26	5.13
Information on transport infrastructure in foreign-targeted markets.	25.64	48.72	17.95	7.69	
Information on economics background of foreign -targeted market.	25.64	58.97	5.13	7.69	2.56
Information on possible means of distribution/store in market.	20.51	58.97	12.82	5.13	2.56
Information on Exchange rate fluctuations.	35.90	48.72	10.26	2.56	2.56
Information on Legal requirements in foreign-targeted markets.	38.46	43.59	12.82	2.56	2.56
Information guide to promoting into foreign-targeted market.	28.21	53.85	10.26	2.56	5.13
Ways to adapt current production for foreign-targeted market.	28.21	56.41	10.26	5.13	
Government aid to SMEs targeting foreign markets.	38.46	43.59	12.82	2.56	2.56

(n=52)

Table 7.3.41: Frequency table of type of information t required to internationalise

The results of table 7.3.41 show that the majority of responses for all the types of information required with regards to foreign-targeted markets were of much import to SME managers. Most statements yielded high responses mainly varying form ‘Very important’ to ‘Important. The aggregate response rates were more than 75% - except in two cases: ‘Information on social/political background of foreign-targeted markets’ and ‘Information on transport infrastructure in foreign-targeted markets’ where the frequency percentages both only just exceeded 50%.

The eight most important types of information required were: ‘Information on market size’ (87.18%), ‘Information on Exchange rate fluctuations’ (84.62%), ‘Ways to adapt current production for foreign-targeted market’ (84.62%), ‘Information on economics background of foreign -targeted market' (84.61%), 'Information guide to promoting into foreign-targeted market' (82.06%), 'Government aid to SMEs targeting foreign markets' (82.05%), 'Information on Legal requirements in foreign-targeted markets' (82.05%) and 'Information on potential barriers to foreign-targeted markets' (82.05%).

The fact that 'Information on market size' is the most important determinant is supportive of the findings of Question 25, which revealed that respondent firms experienced slight difficulties in relation to adequate knowledge of market size, structure & target sectors. Similarly, the importance attached to 'Information on Exchange rate fluctuations' gives greater significance to the problem of managing foreign exchange exposure, identified by respondents in the previous question.

'Ways to adapt current production for foreign-targeted market' was also perceived to be of much significance by managers. Contrastingly, 'information on buyer's preference' was ranked 9^{th} in terms of importance. As marketing mentors argue (specifically those propounding the marketing oriented concept), the firm should lay emphasis on market research into consumer behaviours and desires. However, it seems that Mauritian entrepreneurs value production processes more than the preferences of their customers. This corroborates Ogwo's (1997) findings, which demonstrated that small businesses in Nigeria adhere to the production philosophy.

The significance of 'Information on economics background of foreign-targeted market', 'Information on Legal requirements in foreign-targeted markets' and 'Information on potential barriers to foreign-targeted markets' tend to highlight the risk-aversion nature of Mauritian SMEs who prefer to be well-informed of the different economic conditions prevailing in the targeted host countries in which they intend to operate. The importance of 'Information guide to promoting into foreign-targeted market' may, on the other hand, be associated to the entrepreneurial marketing competencies described by Carson et al (1995).

Lastly, the feeling of frustration expressed by SME respondents with regards to 'lack of government assistance' in Question 25 is further confirmed since SMEs were found to attach much importance to 'information on Government aid to SMEs targeting foreign markets'.

Question 27: Quality of market information

The quality of financial information conferred upon internationalising SMEs is essential when taking decisions with respect to international markets. As revealed by various research studies, financial issues are key in the small firm. As such, the survey also explored the respondents' views on the extent and quality of information available to them on financial risk, economic and political conditions, transfer risk, buyer behaviour, exchange rate fluctuation, forward exchange contracts and support from the government. The results are indicated in the table below:

Knowledge ratings	**Excellent** %	**Above average** %	**Average** %	**Below average** %	**Extremely poor** %
Financial risks		15.38	71.79	12.82	
Economic and Political conditions	2.56	23.08	56.41	17.95	
Transfer risks		7.69	74.36	17.95	
Buyer behaviour	7.69	30.77	48.72	10.26	2.56
Exchange rate fluctuation	5.13	30.77	46.15	12.82	5.13
Forward Exchange contracts	2.56	15.38	51.28	25.64	5.13
Support from the Government	2.56	5.13	43.59	33.33	15.38

(n=52)

Table 7.3.42: Frequency table of quality of market information

Most SMEs surveyed seem to be moderately satisfied with the extent and quality of information available to them (Mode=3). For instance, more than 50% of internationalising firms rated the quality of information with regards to financial risks, economic and political conditions, transfer risks and buyer behaviour as 'average' and 'below average'.

Interestingly, 48.71% of the respondents felt that they were least informed about the support granted by the government; rating such information as 'below average' and 'extremely poor'. These findings support the results obtained in question 25 and question

26, which indicated that the lack of assistance from the government was a major deterrent to the internationalisation process of small firms. For instance, one in-depth interviewee described the support provided by the government as 'hopeless'. Another declared that: "The assistance … received from the government is trivial (…) they (the government) make a great fuss about the incentives they'll be providing but nothing fruitful come out from it…"

This is also in line with the findings of Okoroafo (1999) who indicated that the majority of small family firms were not familiar with government programs that would have facilitated their internationalization process. This is in line with Ram and Hillin (1994) who have also argued that a catalyst, such as government support, is required to enable entrepreneurs to "break out" into mainstream markets.

In addition, 30.77% of the internationalising firm declared that the information regarding 'Forward Exchange contracts' were 'below average' and 'extremely poor'. This reinforces the earlier findings, concerning SMEs' difficulty in managing their foreign exchange exposure. Hence, it may be argued that the reason behind the unawareness of local entrepreneurs with respect to the various foreign exchange hedging arrangements available to them, stem from the poor quality of information attached to these financial instruments.

Question 28: Usefulness of information with regards to internationalisation

The source of the data is often as important as the information itself (Jones and Crick, 2004). Yet, the literature indicates that internationalizing firms have been found to differ in their utilisation and perceived usefulness of data sources together with the types of information required. Data was collected on a 5-point scale ranging from "1 = Not useful", to "5 = Very useful" to assess the perception of Mauritian SMEs as to the usefulness of the different sources of information as an aid to internationalisation .

Sources of information	Not useful	Slightly useful	Fairly useful	Much useful	Very useful
Your own market research team	12.82	12.82	38.46	15.38	20.51
Business networks	7.50	12.50	25.00	32.50	22.50
Informal networks	2.50	20.00	27.50	32.50	17.50
Agent overseas	12.50	15.00	30.00	27.50	15.00
Agents in Mauritius	10.00	12.50	25.00	32.50	20.00
Business advisers	17.50	15.00	22.50	32.50	12.50
Chamber of commerce	22.50	17.50	32.50	17.50	10.00
Trade associations	20.00	12.50	32.50	22.50	12.50
Market research agency	17.50	17.50	27.50	27.50	10.00
Commercial Banks	2.50	17.50	25.00	22.50	32.50
DBM (Development Bank of Mauritius)	7.50	32.50	12.50	20.00	27.50
SEHDA	12.82	10.26	38.46	23.08	15.38
Enterprise Mauritius	8.33	16.67	30.56	30.56	13.89
MIDA (Mauritius Industrial Development Authority)	50.00	50.00			
MTPA (Mauritius Tourism Promotion Authority)	28.21	12.82	23.08	25.64	10.26
Ministry of Small and Medium Enterprises, Commerce and Cooperatives	15.00	20.00	22.50	27.50	15.00
Financial Services Commission	20.00	12.50	25.00	22.50	20.00

(n=52)

Table 7.3.43: Frequency table of usefulness of information with regards to internationalisation variables

Most surveyed firms were neutral as to the usefulness of information obtained from their 'own market research team' (38.46%). A closer examination of the frequency table, with regards to this source of information, indicated that 35.89% of internationalizing Mauritian firms found that their own market research team was 'much useful' and 'very useful' while only 25.64% evenly felt that this source of information was 'slightly useful' and 'not useful'.

The findings gleaned from in-depth interviews revealed that the majority of firms interviewed did not have a marketing department. One owner manager declared that he had to shoulder everything in his company and when necessary he consecutively "…assumed the role of sweeper, marketing manager, accountant and director". In other instances, where the firm was employing a marketing officer, it was reported that the latter's task was more production and sales related than marketing related. As one in-depth interviewee, employed as marketing officer but whose primary job relates to production issues, stated, "even if I was hired as a marketing officer, my last marketing task dates back to two years ago where I had to carry a marketing research…"

'Business networks' (32.5%) and 'informal networks' (32.5%), as sources of information, were rated as 'much useful' by the majority of respondent (Mode=4). This further supports the results obtained in question 22 on networking. The above findings tally perfectly with the extant literature on entrepreneurship, which stipulates that the small entrepreneur has rarely the time and financial resources to buy market research reports or to seek the help of business advices; hence relying on his personal network to gain market information. Curran and Blackburn (1991) suggest that the acquirement of knowledge in SMEs is a long-term developmental process. It is instigated by informal information collection, often through networks with other firms and contacts over time. This sometimes allows entry into other networks and the subsequent development of bonds through which information can flow.

While not reported in the tables, the in-depth interviews also revealed that the results of the focus groups and the in-depth interviews give further credit to the above findings. Local SMEs were reported to use networking as a way of seeking advices, market information and acquiring new contacts which consequently enable them to compete with other larger firms operating locally or in foreign markets. For instance an in-depth interviewee explained: "Contacts are crucial in this business… their advices are of paramount importance", they "…are our privilege… we always work this way, we believe in relationship…"

On the other hand, the relatively high rating of 'Overseas agents' (42.50%) and 'Agents in Mauritius' (52.50%) were largely because agents were basically used to obtain orders as well as pass on market information. To resume the words of an in-depth interviewee, "Contacts are very important here (…) we gather information from almost *everyone*." In a similar vein, 45% and 37.50% of the Mauritian internationalizing firms respectively rated 'Business advisers' and 'market research agency' as 'much useful' and 'very useful' sources of information.

Moreover, the frequencies for 'trade association' showed that 35.0% of interviewees felt that the information gathered from their associations were 'much useful' and 'very useful', and as such supporting the results of the focus groups. One participant for example stated, "It's only after the creation of the federation that entrepreneurs have learnt to share and trust others" and another to add up "… the federation has been guiding its members in the right direction and that all way long…".

Most Mauritian SMEs (55.00%) also recognised the usefulness of information gained from commercial banks. While 22.50% rated the information as 'much useful', 32.50% declared that it was 'very useful' (Mode=5). Likewise, the Development Bank of Mauritius (DBM), as a provider of information, was rated by most respondents (47.5%) as 'much useful' and 'very useful'. Nevertheless, 40.00% of respondents perceived the data gleaned from the Development Bank of Mauritius as 'slightly useful' and 'not useful' -which again corroborate the findings of both the in-depth and focus groups. As one in-depth interviewee has accordingly declared, "The DBM makes it hard for small enterprises to borrow funds because there is much paperwork involved", and while another one declared "the DBM attaches heavy guarantees to the loan that it grants to SMEs…"

Similarly, with respect to the SEHDA, 38.5% of respondents affirmed that the information was 'much useful' and 'very useful'. A majority of in-depth interviewees and focus group participants have openly criticized the information provided by the ex-

SMIDO, now SEHDA. An in-depth interviewee, for example postulated, “We do not receive much from the SMIDO…” another one added, “It (the SMIDO) is more an educational institution than anything (…) the training it’s been offering is purely theoretical…so it’s not really beneficial”.

With regards to ‘Enterprise Mauritius’, Mauritian SMEs seemed to be rather satisfied with the information available from this institutional support. Even if 30.6% of interviewees held neutral opinions about the usefulness of the information the above-mentioned institution, another 30.6% and 13.9% respectively declared that such information were ‘much useful’ and ‘very useful’. In addition, the majority of interviewees stated that the information provided by the MIDA and the MTPA were of no use to them (Mode=1). It was reported that only four respondents were not aware of the existence of Enterprise Mauritius; their views on the information provided by the MIDA were found to vary between ‘Not useful’ and ‘Fairly useful’. Akin to the MIDA, the MTPA received approximately the same critics, since 41.0% of interviewees viewed that the information obtained from this institutional support were ‘Not useful’ and ‘Slightly useful’.

Conversely, 22.5% had neutral opinions on the usefulness of information provided by the Ministry of Small and Medium Enterprises, Commerce and Cooperatives while 35.0% viewed the information gained from the Ministry as ‘slightly useful’ and ‘not useful’. Lastly, 40% of interviewers ranked the ‘Chamber of commerce’ as a ‘slightly useful’ and ‘not useful’ source of information. In this perspective, a focus group member compared the Mauritius Chamber of Commerce to “… a private club… you cannot get access to it…”

Question 29: Internationalisation strategies

Building on the so-called stage models, Solberg (2002) contended that the most important obstacle to internationalisation for a small firm is its lack of knowledge and resources. In an international setting, where the market pressures are likely to differ from those of the domestic context, this becomes an apparent capability constraint. These obstacles can however be reduced through incremental decision making and learning about the foreign markets and operations. Question 29 relates to the degree with which local entrepreneurs undertake Solberg's (2002) different internationalization strategies when going international.

Cautious internationalisation strategy	**Mode intensity**
The degree to which the firm has chosen to focus on a few international markets.	3
The degree to which the firm intends to focus on building long-term close relationships with a limited number of foreign customers.	2
The degree to which the firm prefers to develop its international activities one step at a time.	2
Partnership strategy with dominant partner	
The degree with which the firm is actively searching for one major partner in order to strengthen its capital base.	5
The degree to which licensing will be an important factor in the development of the firm's international activities.	5
The degree to which brand agreements will be an important factor in the development of the firm's international activities.	5
The degree to which the firm is actively searching for one large market partner in order to gain access to key customers in international markets.	5
Alliance strategy with equal partner	
The degree to which the firm is actively looking for an equal partner in order to be equipped to face global market challenges.	5
The degree to which alliances with international partners is a central part of the firm's strategy.	5
The degree to which the firm is seeking to engage in strategic alliances with international partners, in order to complement its competencies.	5
Niche strategy in international markets	
The degree to which the firm is actively seeking to develop market niches in the next coming years.	2
The degree to which the firm will establish itself in selected markets with the intention to sell its products to a well defined customer group.	2
The degree to which the firm's main focus is to further develop its position in current niches in international markets.	2
New business development strategy	
The degree to which the main focus of the firm, in the next coming years, is to expand its product portfolio.	2
The degree to which the firm is actively seeking new products within new technologies.	2

(n=52)

Table 7.3.44: Mode table of Internationalisation strategies

Strikingly, most respondents unanimously declared that they were not at all interested in having an equal or dominant partner, be it for an alliance or a partnership strategy (Mode=5). Indeed, more than 50% of interviewees affirmed in the majority of individual statements, that they did little or none of the two given strategies. This may be explained by the findings of the in-depth interviews, which revealed the mistrust of Mauritian SME owners vis-à-vis co-partners. More explicitly, it was found that Mauritian entrepreneurs preferred to capitalise on opportunities alone because they felt they could not trust others and were not willing to share their trade secrets. A focus group participant further added, “Mauritian entrepreneurs have a fortress mentality; there are very individualistic people who do not believe in group sharing.”

This gives further support to the ‘fortress enterprise’ mentality of entrepreneurs, which argued that SMEs are independent owner-managers who do not believe in team-based success. As an in-depth interviewee argued, “We’ll go on our own (go on international markets; I’m not for the idea of sharing with others; there may be conflicts and so on (…) No I prefer to go on my own”.

Contrastingly, table 7.3.44 also revealed that most SMEs were in favour of a ‘Cautious internationalisation strategy’. The majority agreed that their company planned to build ‘long-term close relationships with a limited number of foreign customers’ and to ‘develop its international activities one step at a time’ (Mode=2). Such results are in line with the theory of Birley et al (1991) which stipulated that business owners spent a lot of time in building relationships and, also confirm the findings of the in-depth interviews which suggested that relationship marketing seemed to be well entrenched in SMEs in Mauritius.

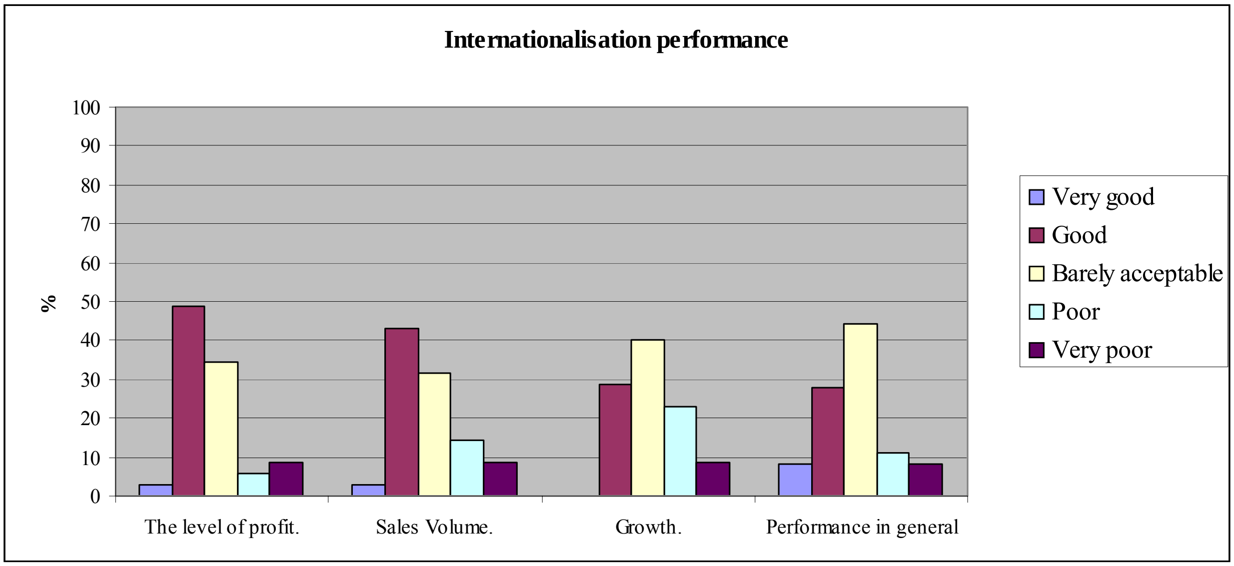
Moreover, the incremental development of international activities is in conformity with Stevenson’s (2000) study where it was stated that entrepreneurs tend to be risk takers who seek to manage their risk by sequential commitment to the opportunity. It was also gathered from the in-depth interviews that Mauritian entrepreneurs preferred to take calculated risks rather than above average risks. For instance, an in-depth interviewee explained, “I’m not that adventurous, it’s too risky; I’ll prefer to sell my products via representatives (…) in this way I’ll be able to minimize the risk- the risk of not recouping my investment had I chosen to go on my own or in group”. This is because they thought that misjudging the level of risk associated with a venture can have disastrous consequences for their business. As such, Mauritian SMEs will prefer to develop their international activities on an incremental basis. This goes against the theory propounded by Chan (1997) who affirmed the difference between the educated scholar and the entrepreneur is that the scholar will carefully deliberate and weigh the opportunity costs before taking “calculated risks” whereas the entrepreneur realises that risk taking requires instinct and gut-feeling because SMEs who are quick to seize business opportunities, usually benefit substantially.

However, whilst building long-term close relationships with a limited number of foreign customers and developing international activities one step at a time received favourable comments, most interviewees held neutral opinions about focusing on a few international markets (Mode=3). Nonetheless, despite such a disengaged position with regards to the last statement, its frequency distribution showed that 43.6% of respondents considered that focusing on a few international markets was not much or not at all in line with their internationalization strategy. As such, it may be argued that given the opportunity, Mauritian SMEs would prefer to serve several markets rather than centre their activities on only a few ones.

The ‘Niche strategy in international markets’, cited by Ibrahim (1993) as the most effective strategy for small business, was also perceived by most interviewees as being part of their internationalizing strategy (Mode=2). This result is in line with Cunningham and Hornby (1993)’s findings that small companies avoided head-on competition and sought to exploit their own market niche. In a similar vein, an in-depth participant declared, “When we’re competing on the global market, you can find for yourself, especially for a small producer like Mauritius, typical niche market whereby we’re strong, where we are ‘cheaper’… When I say cheaper, it’s a combination of better, faster, cheaper...”.

Lastly, the ‘New business development strategy’ was likewise reported to have a mode=2, with 38.5% and 43.6% of respondents declaring respectively that their main focus in the next years was to expand their product portfolio and seek new products within new technologies. This is in conformity with the findings of Chng and Kau (1988) who found that SMEs were proactive market developers.

Question 30: Internationalisation performance



(n=52)

Figure 7.3.8: Internationalisation performance

The survey also evaluated the performance of Mauritian SMEs in international markets. As depicted above, the majority of respondents described their level of profit (48.6 %) and their sales volume (42.9%), with regards to overseas markets, as 'Good' (Mode=2). On the other hand, most of the firms surveyed held that growth (40.0%) and their performance in general (44.4%) were 'Barely acceptable' (Mode=3). Yet, the frequency distribution for 'Growth' revealed that 31.5% of interviewees felt that their growth vis-à-vis international markets were 'Poor' or 'Very poor'. In contrast, 36.1% declared that their performance in general abroad was between 'Good' and 'Very good'.

Question 31: Reasons towards internationalisation rejection

After analysing the different drivers and motives of internationalization of internationalisation, it may be very interesting to investigate the reasons as to why non-internationalised SMEs abstain from internationalisation. Question 31 relates to the different impediments to Mauritian SMEs' internationalisation. On a 5-point scale, respondents were asked to rate the following factors:

	To a great extent	To some extent	Moderately	To a lesser extent	Not at all	Total
Implementing international strategies is too expensive	43.06	32.64	17.36	3.47	3.47	100.00
You prefer to concentrate on local markets.	47.92	29.17	21.53	0.69	0.69	100.00
There is no need to expand because the company is big enough.	5.56	6.94	31.94	20.14	35.42	100.00
The company is not big enough.	20.57	26.24	37.59	7.80	7.80	100.00
Freight cost is a major problem.	27.78	37.50	25.00	2.08	7.64	100.00
No plans for expansion.	13.19	15.28	30.56	15.97	25.00	100.00
Lack of time.	9.09	23.08	37.76	9.79	20.28	100.00
Lack of knowledge about overseas market.	21.53	37.50	27.08	3.47	10.42	100.00
Going international is too risky.	34.72	31.25	23.61	4.17	6.25	100.00
The nature of the business.	30.56	25.00	36.81	2.78	4.86	100.00
Too much competition abroad.	33.33	34.03	27.08	2.08	3.47	100.00
The company is not ready to go international.	29.17	20.83	31.94	10.42	7.64	100.00

(n=211)

Table 7.3.45: Frequency table of reasons towards internationalisation rejection variables

The major reason for their non-involvement in internationalisation activities was that Mauritian SMEs preferred to devote themselves to the local market. 77.09% of interviewees rated the statement 'You prefer to concentrate on local markets' as contributing 'to a great extent' and 'to some extent' for their non-involvement in internationalisation activities. This is in line with the findings of a study on Luxembourg whereby, 42 % of SMEs cited 'National demand too high' as their reason not to internationalise. Hamil (1995) explains that SMEs have been used to look inward to the domestic market rather than outward to overseas markets; psychologically, they are in their comfort zone when they do business in the domestic market. Still, it is worth noting that this is in contrast with the findings extracted from the focus group. For example, one participant argued that "the biggest challenge that the SME has to take up is to find new markets because the local market has already reached saturation point".

Another frequently cited barrier is the high costs of the internationalization process. Internationalizing was actually perceived by 75.70% of small business proprietors to be too expensive. Some interviewees stated that these costs included doing market analysis abroad, adaptation of products to foreign markets and travelling expenses. Similar studies, by Bilkey (1978) Bauerschmidt and Sullivan (1989), indicated that the financial resources available to a small business could also act as a considerable constraint to developing an international orientation. SMEs have to operate in an unknown and often non-transparent economic, juridical, political and cultural environment, which makes international endeavours costly undertakings. The costs incurred can be prohibitive given SMEs' notoriously over-stretched resources and their already difficult access to capital.

Alternatively, 67.36% of the non-internationalised SMEs identified the statement 'Too much competition abroad' as another factor affecting their decision regarding the internationalization of their activities. Many in-depth interviewees reasoned that their high production cost act as a deterrent with regards to international markets. For instance, one in-depth interviewee declared "Large companies can produce in mass; hence they can provide the market with goods that are low-priced. Moreover, (…) compared to us, the former employ cheaper labour (…)".

On the other hand, 'Going international is too risky' was perceived by 65.97% of respondents as an impediment to their decision to target foreign markets. The findings echo those obtained from Chetty and Campbell-Hunt (2003) who stipulated that beliefs about the risk associated with internationalisation had a bearing on the decision to internationalize. This can also be related to the commentaries of an in-depth interviewee who stated, "…Everybody takes risks, but (…) because we are small we should take measured risk…".

Others (65.28%) were concerned about freight costs. A focus group participant who imports the majority of his raw materials, reasoned: "we have to import these raw materials, and this will definitely cost more because of freights …so this leads to high production costs, which in turn leads to a considerable reduction in the number of clients because our prices are not competitive”. Some argued that they had insufficient knowledge about overseas markets. 59.03% argued that ‘Lack of knowledge about overseas market’ contributed to a great extent and to some extent to them not internationalizing. This is in line with Chetty and Campbell-Hunt (2003) who accordingly argued that the decision-maker’s lack of knowledge about a foreign market affect the decision to internationalise and can therefore prove to be a barrier.

Conversely, 55.56% declared that the nature of their business prevented them from going international. A cross tabulation revealed that the majority originate from the Food & Beverage industry. While others stipulated that the company was not ready to go international (50.00%), some felt they were too small for international business (46.81%). There were however mixed feelings with regards to the statement ‘Lack of time’. Contrastingly, the majority of non-internationalising Mauritian firms argued that ‘No plans for expansion’ and ‘There is no need to expand because the company is big enough’ were not behind their rejection of international activities.

Chapter 8

Recommendations

8.0 Introduction

Despite the importance to international marketing, very little is known about how SMEs prosper under globalisation or about globalisations moderating role on entrepreneurship and marketing strategy. Following the exploratory data collected from Mauritian SMEs in in-depth interviews, focus groups and survey, this research has resulted in a series of recommendations for SMEs to prosper in a global context. The recommendations are as follows:

Marketing orientation of the firm

- Marketing planning

Competitive Intelligence

Market Segmentation, Targeting & Positioning

The Marketing Mix

- Product strategy
- Pricing strategy
- Promotion strategy
- Distribution strategy
- Branding

International Focus

- Proactive internationalisaion of local firms
- Encouraging entrepreneurship in Mauritius

8.1 Marketing Orientation Of The Firm

It is asserted that small business owner-managers who understand and appreciate market orientation culture will be in a better position to put in place the necessary tactics and strategies needed to be successful.

- **Marketing to improve performance and business growth**

Certainly, for those business owners who wish to create prosperous and thriving businesses, a clear understanding of the basic marketing principles and techniques is important. Mauritian small business owner-managers are “generalists” and it would be totally wrong to suggest that they should become marketing specialists. This means that complex theories are inappropriate for small businesses - they would not aid in any greater understanding of the markets in which small businesses operate and, quite simply, the owners do not have the time or patience required to digest, let alone implement them.

While in large businesses, the complexity of the organizational structure may warrant formal procedures, lines of communication and decision-making roles, this is not the case in SMEs. Small business owners, managers and workers have a much closer working relationship, they spend many hours working together, talking about the job, the business, the customers, what they are going to do tomorrow, how they are going to tackle a particular problem, and so on. What is required is that they spend some time, periodically - perhaps every three months or so - to sit down and think/talk about where they are now, what is happening in their particular market(s) and where their business is going in the future.[251]

[251] This concept will be developed later on.

8.1.1 Customer orientation

Most Mauritian SME respondents have been reported to have a good **customer orientation**, with an equally strong tendency towards product orientation. The findings are also in line with that of Donckels et al (1990), which reveal a strong product orientation among small firms. As SME owner/managers are driven by internal politics when deciding on the product or service to be sold. It is argued hence that understanding the difference between customer orientation and product orientation is very important in deciding what market to enter and what sort of business to set up. This is particularly true for consumer product/ service markets – SMEs should not assume that if they have the ability to make or sell a particular product, other people will want to buy it. Recognition that customers have widely differing wants and needs and that the small business owner cannot satisfy all of them, should help to focus the business on meeting the needs of a particular group of customers. Also, it is important that all business owners understand that consumer tastes and preferences change, sometimes very quickly, and that this can be critical for their business.

8.1.2 Interfunctional Coordination

Small firms place a high value on internal communications and typically emphasize the need for healthy interaction with and among their staff. Such proactive use of internal communications is thought to lead to improved business performance through better staff relations and good internal relations as a mechanism for gathering vital information on key activities, for key marketing decisions and to stimulate innovation. Moreover, as most relationships are handled by teams within industrial organizations (Narus and Anderson 1995) and require complex exchange, inter-functional coordination is key to serving customers. Hence, marketing orientation is not only confined to the marketing department but must be adopted by all members in the organisation across departments. However, in this research it has been observed that although SMEs do not have many employees, there is still a lack of interdepartmental/team coordination to strengthen the marketing orientation of the few employees in the firms.

Hence given that there is a lack of interdepartmental/team coordination of employees of SMEs to strengthen the marketing orientation of the firms and that they are more product than marketing oriented, it is recommended that SMEs develop a customer centric culture among their employees. In addition, to reinforce the marketing orientation of SMEs, need to adapt their human resource management policies to suit the ever-changing business environment, altering business strategies and business processes improvements.

8.1.3 Marketing Planning

Local SMEs do not have an appropriate marketing plan. Marketing is often limited to advertising and there is no proper integration of marketing tools and strategies. This is reinforced by the comments of Tzokas et al. (2001) who explain that in the initial years of a new enterprise, growth often occurs without a formal and planned marketing effort and, as a result, owner managers believe that it is unnecessary to invest time and effort in formal marketing planning. However, with globalisation, local SMEs have been adamant that they will have to prepare appropriate marketing plans to enter foreign markets.

- *Marketing plearning* instead of *marketing planning*

While conventional wisdom has posited that small firms benefit from developing a detailed, classic marketing plan, it has been argued that the real planning is not the outcome but the process itself whereby the small firm, through learning, gains a fuller understanding of current and future operations. As such, Mauritian owner-managers should perceive planning as an opportunity to use organizational learning as the basis for reviewing recent events and determining the future direction for their organizations. This would hence cause the firms to seek to learn more about where the firm is now, learn more about where the firm wishes to go and learn more possible actions to achieve specified future performance goals.

8.1.4 Customer Loyalty

Hogarth-Scott et al. (1996) revealed that most SMEs have a good customer orientation and are keen to satisfy their customers' wants and needs. This study has also revealed that Mauritian SMEs believe in offering a personalized service to their customers which often leads to significant benefits, including customer loyalty and higher levels of customer satisfaction. Theorists have strongly articulated the view that investing in the creation of a management information system will significantly improve the operational performance of a small firm. Furthermore Malone (1985) concludes that an information system can improve the quality of decision-making in small firms.

Only focused efforts at product and service development will pay off in the long run. Successful organizations determine who their target customers are, and then do everything in their power to please and retain them. A well-defined target customer is a beacon for an organization to follow. Simply stated, targeted customers should be those who will be loyal over time. SMEs is Mauritius must manage their customer database so as to identify who are the most profitable customers and provide a more personalised service to them. The Pareto rule suggests that 80% of a firm's revenue comes from 20% of a company's customers. By providing differentiated service to their most profitable customers, SMEs will be in increase the lifetime value of these customers.

SMEs have to their customer expectations shift and evolve over time. Thus, service quality is not absolute, because it is determined by the customer, not by the service provider. And it varies from customer to customer. Consequently, excellent service quality firms are those that can adapt their products and services to meet and exceed changing customer expectations.

8.1.4.1 Invest in Staff Training

SMEs have to ensure that employees receive training in the skills and tools they need to perform their jobs well. Training should include an appropriate mix of interpersonal and technical skills. Training in interpersonal skills is not only important for employees who spend a great deal of time interacting with external customers; effective people skills are also required for serving internal customers—others within an organization—and for performing on a team. Training takes time and money. If local SMEs invest in employee development find there are payoffs in terms of reduced employee turnover, improved service quality, and increased productivity. The result is increased customer satisfaction and loyalty.

8.1.4.2 Get customer feedback

SMEs must meet and exceed the expectations of their target customers. To accomplish this they must continually listens to thier target customers to find out what products and services they want to meet their needs, and the way in which they want the products or services delivered. But customers are moving targets-their expectations are constantly changing. For this reason, SMEs need as many opportunities to hear and respond to customer feedback as they can find by creating both formal and informal ways to get feedback from their customers.

8.2 Competitive Intelligence

Small and medium sized businesses often lack staff and budgets, but if they are to grow and flourish, they need intelligence on their customers, markets and business environment in the same way as their larger competitors. In addition, the Mauritian SMEs do not engage in collecting marketing data on their customers, that is, both is respected to anticipating customer’s needs, understanding their buying decision process, their consumption patterns and behaviours, and also post purchase behaviour.

With the right competitive information, SMEs in Mauritius will be in a better position to differentiate in the international market. Kotler (2000) suggests that firms can differentiate by, product, services, personnel, channel and image.

Certain areas of the literature, though scanty, have equated competitive aggressiveness with proactivenesss. For example, Covin and Slevin (1989, 1991), Knight (1997) and Kreiser, Marino and Weaver (2002a) have advocated that proactive firms are those that compete aggressively with others. However, Lumpkin and Dess (1997) think otherwise because they put forward that proactiveness and competitiveness are distinct concepts with unique definitions. They further suggest that proactiveness is a response to opportunities, that is, how firms relate to market opportunities by seizing initiative and leading in the marketplace. In contrast, competitive aggressiveness is the response to threats, that is, it refers to how firms react to competitive trends and demands that already exist in the market place.

The Mauritian Government can provide support services in the form of customised training in both marketing and competitive intelligence topics, mentoring and support allowing companies to be self-sufficient in their own research activities so that they can stay within their budgets.

8.3 Market Segmentation, Targeting & Positioning

All markets are so competitive now that organisations realise accurate segmentation and targeting are vital to give a better return for their investment, but they do not have the practical knowledge of how to put this into practice to achieve results (Hurst, 2007). Market segmentation is dividing the market into distinct groups of buyers with different needs, characteristics or behaviour who might require separate products or marketing mixes (Kotler and Armstrong, 1994). In respect to SMEs in Mauritius, there is a very little use of segmentation as the base for their business and marketing strategy. This is in line with Argawal (1995) who argued that one common mistake that SME managers make is that they fail to segment their market and identify their target customers. As such, they do miss out on a great opportunity to gain a competitive edge. This further supports our recommendation that SMEs need to have more reliable information on customers and competitors in both the local and foreign markets.

The lack of information on markets, both local and foreign, might results in Mauritian SMEs not optimising on the most profitable market segments. The targeting strategies to be adopted are usually characterized as undifferentiated, differentiated or concentrated. An undifferentiated strategy means making a single offering to the whole market; the offering is directed towards what most people want, what is common to the majority. A differentiated strategy means that the company offers different things to different segments. Concentrated marketing obviously focuses on only a part of the total market. Mauritian SMEs used mostly the undifferentiated strategy.

Positioning means the place the product occupies in the mind of consumer as compared to competitors. As explained earlier, the Mauritian SMEs lack of information on local competitors and have few if any information on their foreign competitors. Hence, as a result of inadequate market/competition information, it is very difficult for these SMEs to competitively position their products on these markets.

8.3.1 Competitive Advantage

Finding a source of competitive advantage that will persuade them to switch is undoubtedly very difficult but deserves a lot of attention (*Hogarth-Scot et al, 1996).* In most cases competitive advantage was based on quality and service. *Yet*, most of the small businesses met during the course of the research referred to the importance of talking to people, customers and others, in their business environment. For them it is clear that inter-personal relationships are very important. Being able to talk to people, to listen to them, to gain information from them, to make contacts and meet new people, to spread the word - this is the area where small business owners have the advantage. They are much better at it than larger businesses; they are much closer to the customer. They should use this advantage to its maximum. It will help them survive and grow.

8.4 The Marketing Mix

This study has revealed that in respect of the marketing mix, SMEs in Mauritius do not use the marketing mix properly. The four elements of the marketing mix, namely, product, pricing, place and promotion are not used as part of an integrated strategy but on an ad-hoc basis. The following section provides recommendation on the marketing mix strategies that SMEs should adopt with the advent of globalisation.

8.4.1 Product Strategy

As regards to product performance, 47.51% admitted that globalisation has had a negative effect on the success of their product in the market place. 45.80% of the sample reported that the toppling down of international barriers has had a ‘very high’ to ‘moderately high’ impact on their ‘product design’. This is in line with the study of Beyene (2004) who found that only 50% SMIDO members have tried to change the design of their products. 58.72% asserted that they have had recourse to new technologies to have a cutting edge over their foreign and local competitors. Lastly, 66.03 % of respondents avowed that they had to introduce new products in response to globalisation.
This is in line with the present findings, which showed that 64.23% of the SME sample would adapt their product/service design. Also, 52.33% of the sample of SMEs perceived that their product/service warranties would be subject to ‘extensive’ or ‘much’ adaptation in the future.

Although, SMEs have recognised that with the advent of global competition, they have to modify their products, this study has also highlighted that SMEs tend to be irrational when the have to delete existing products form their product range. Hence, lost making products continue to be distributed on the local market. It is recommenced that SMEs adopt proactive product growth strategies on both the local and the foreign market. The key for Mauritian SMEs to grow on the international market is to have a competitive advantage by adopting a product differentiation strategy. Mauritius cannot compete on quantity as compared to China for instance but quality and uniqueness product designs and features can provide our SMEs with the competitive edge to internationalise successfully. Coupled with a product differentiation strategy, the following strategies derived from the Ansoft Growth Matrix would be appropriate for the SMEs:

8.4.1.1 Market penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. SMEs can:

• Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling

• Secure dominance of growth markets

• Increase usage by existing customers – for example by introducing loyalty schemes

A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

8.4.1.2 Market development

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including:

• New geographical markets; for example exporting the product to a new country

• New product dimensions or packaging: for example

• New distribution channels

• Different pricing policies to attract different customers or create new market segments

8.4.1.3 Product development

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

8.4.1.4 Diversification

Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For an SME to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

8.4.1.5 Product Quality

The local SMEs have acknowledged that product quality is an important criteria for local and international market growth. Also, 56.49% of the respondents acknowledge that the quality of their products has been affected by the liberalisation of markets. By way of explanation, the aforesaid participants affirmed that they have had to upgrade their product quality to be on an equal footing with their international competitors. Out of the 7 categories of the firms' product and operation strategy, product/service quality (70.77%) was the one category expecting the highest level of possible future adaptation.

However, the current problem with quality is that although that only few of the SMEs have actually reviewed their internal processes to meet international quality standards. If local SMEs want to grow international, it is recommended that all their processes meet international standards.

8.4.2 Pricing Strategy

Earlier studies,[252] which found that many SMEs in developing countries run into problems for lack of timely and adequate working capital, which not only adds costs but can also endanger the entire production operation. It can be argued here, that even though the entrepreneurial orientation has a strong influence upon the development of new products/ services and the use of advanced manufacturing technologies, the marketing orientation of Mauritian SMEs exerts a stronger influence upon the market image of the firm, the achievement of sales targets, the use of effective pricing methods and the availability of working capital. The results of this research have confirmed that financial management competencies of SMEs are quite poor and the result is that the SMEs develop poor pricing strategies. The analysis revealed that 58.78% of respondents stipulated that the advent of globalisation impacted on the competitive pricing of their products/services[253]. Also 65.13% of respondents declared that they have had to make frequent price adjustment as a result of globalisation.

Although the literature on pricing strategy argues that pricing should be a core part, and a reflection of the company's strategy. Only 53.08% of respondents affirmed that they would be willing to adapt their pricing strategy to achieve future growth.

Since all costs have to be covered in the long run, it makes sense to look at costs in setting prices. It is not necessary that every product covers all its costs all the time, but it would be dangerous if too many were not contributing to profits for a sustained period (especially if no one knew that this was so). It is therefore common to use an approach which takes all the costs of making and selling the product, adds a profit margin, and uses the resulting figure as the price. This is most easily seen in retailing, where the retail price may be set by taking the manufacturer's or wholesaler's price and adding a standard mark-up. Manufacturers, however, also use the approach.

[252] Cardoso (1980); Weaver and Pak (1988); Kaleka and Katsikeas (1995); Dicle and Dicle (1992).

[253] Competitive pricing reflects the ability of an organization to compete against its major competitors based on low price (Miller, De Meyer and Nakane, 1992).

For the SMEs the cost-plus approach usually starts with standard costs of the product: an estimate of the total direct costs (labour, materials and components) divided by the assumed number of the product to be manufactured. Direct costs can be easily calculated. However, it becomes even more difficult at the next stage, when indirect costs are added. This is an attempt to allocate direct fixed costs (investment in plant and machinery) and overheads (central salaries, office costs, etc.). Total costs are allocated to each product according to some measure such as relative volume, input costs, or labour costs. These allocations are invariably crude, and may be actually misleading. Research in recent years has shown, for example, that many firms use relative labour cost as the allocation method, but that it is an increasingly unreliable indicator of actual costs (Johnson and Kaplan 1987). Moreover, all allocations depend on an estimate of sales, which is bound to be inaccurate to at least some extent. It is acceptable that costs should be an input to the pricing decision, but not that they should be the sole determinant. 52.87% stated that globalisation has had an effect on their cost advantage.

With globalisation and increasing competition on both the local and the international market, as recommended earlier, Mauritian SMEs must focus on their capabilities in developing differentiated products. With differentiated products, the SMEs must not only use cost as an input to calculate prices but must reap the benefits of differentiation by charging high prices.

8.4.3 Promotion Strategy

Promotion is the part of the marketing process communicates the benefits of the product. In a competitive market-place, you cannot expect goods and services to sell themselves. No matter how high a product's quality, unless customers know about it you are unlikely. make a sale. Much of the emphasis in promotional thinking has traditionally been about creating new customers, but it is equally (if not more) important is to remind existing customers of the benefits of what you have to offer. The promotional mix elements are advertising, sales promotion, personal selling and public relations. Not surprisingly, only

37.79% of the sample affirmed that they have had to increase their promotional activities to respond to the threat of globalisation.

SMEs in Mauritius focus their communication strategy to build a strong image in the local market. Reputation is an extremely valuable source of sustainable advantage, because if consumers perceive the reputation of the small firm as being a preferable source, they will most likely choose its products or services. The most effective means of communication for the SMEs is word of mouth.

The SMEs in Mauritius are of the opinion that advertising is often cast off because owner-managers perceive them as expensive, difficult to quantify, ineffective, a waste of money and an indicator of a poorly run business. With regards to ‘personal selling’ however, 33.97% of respondents stipulated that their face-to-face communication with customers has been affected by globalisation. It can be argued in this case that because small firms mainly use personal selling to communicate with their target audience (Borden 1964, Jackson and Parasuraman, 1986 and Nilson, 1994), local SMEs have had to augment their face-to-face interactions with prospective purchasers so as not to lose their market share.

The recommendation in respect to promotional strategies is that the SMEs must clearly identify profitable target markets and chose specific communication mediums to reach the selected consumers. However, in virtually all cases it is evident that interpersonal communications are a critically important skill, either with regard to selling, making network contacts, customer care, or spreading the word. Being able to work these communications to best advantage is important - unfortunately, relying on “word of mouth”, while successful, can be a very slow process. With recent innovation in information and communications technology, SMEs can have access to cheaper means to send a message to their target customers. Examples of a whole array of relatively low cost forms of marketing communications are used, for example leaflets, mail shots and business cards.

However, SMEs cannot concentrate on only a few medium of communication. Given that traditional mediums still costs lost of money, with their limited budgets, SMEs are not in a position to have big communication campaigns both on the local and the foreign markets. However, it is suggested that SMEs use a funnel approach to increase the awareness of the “Made in Mauritius” brand by combining part their communication budget in common fund in a proactive way.

8.4.4 Distribution Strategy

Marketing involves a complex series of relationships between organisations. Distribution shows how these relationships can be managed to increase the benefits available to the customer. An organisation's ability to satisfy consumer needs efficiently and effectively also hangs on its relationships with its own suppliers. Distribution channels manage the series of exchange that a product or service goes through as it is transferred from its producer to its final user.

High quality physical distribution can give a business an edge. The challenge is to balance the level of service with cost. It has been estimated that this part of the marketing mix accounts for approximately one-third of all marketing expenditure, and as such it is an area offering significant benefits to companies who can successfully rationalise their operations. Unfortunately, the Mauritian SMEs do not have enough information on local and international distribution possibilities. This might lead to an inflation of the cost of distribution of the SMEs. Hence, it is recommended that in he local context, SMEs can pool together to form a common distribution network for their products.

8.5 Branding

A brand is an element or combination of elements that uniquely identify a product as being produced by on particular supplier and thereby distinguish it from competitor’s products. Even if the brand management issue was deemed important by more than half of the sample, less than 50% propounded that they invested in branding. Moreover, the very scant notion of branding expressed by many respondents during interviews may potentially explain such a relative low response. Likewise, ‘Deciding brand positioning’ obtained approximately the same percentage response, with only 61.97% of interviewees indicating that the statement was of much import.

An important aspect in the marketing and selling a company's product is the product label which is very important, not only for selling a product, but also for transmitting to the consumer information about the company image, its values, and the perceived value of the product. Yet, only 45.17% of the sample declared that their product/service labelling would be subject to ‘extensive’ and ‘much’ adaptation in the future.

Again, this shows that the SMEs do not blend their communication elements to have a proper position on the market. Band management is of utmost importance for the local SMEs to go international. However, concentrating product brand would not be advised because this would result in inflating the cost of the local product and not necessarily contributing to increase in turnover and profit margin. The recommended approach in respect to branding is to have a common brand for all Mauritian products. The “Made in Mauritius” label has to be reinforced in both the local and foreign markets.

8.6 Training/Knowledge

This research has also revealed that there is lack of training available for local SMEs. This is mainly because existing training cost too much and available training does not meet the specific needs of the local SMEs. Also given that SMEs have limited staff, it is very difficult to send them to off-the-job training courses. Hence, it is highly recommended that the government encourages local SMEs to upgrade their skills. The government should provide training on a regular basis to the companies but first and foremost they should ensure that these SMEs are willing to release their workers to follow such training. Hence, it is proposed that the government introduces an incentive mechanism to reward those companies that invest in training and/or release their employees to follow government offered courses.

8.7 Policy measures to support the internationalisation process of Mauritian SMEs

With the current strong political and economic trends towards globalisation, all firms are indeed facing the effects of increased international competition. Internationalisation is hence an issue that is relevant to the majority of firms, irrespective of their market orientation, industry sector or size. In this respect, Karagozoglou and Lindell (1996) stipulate that enterprises have to adopt an international perspective to secure long-term survival and growth. Yet, although SMEs play an important role in the competitiveness of the economy as whole, the condition and infrastructures need to be improved to enable these firms to take full advantage of the change in their commercial environment. This section pertains to the suggested measures that Mauritius needs to take so that SMEs adopt a more proactive mindset towards internationalisation.

8.7.1 Mauritian SMEs Ability and readiness towards internationalisation

There is an extensive literature, which identifies the international orientation of the owner-manager as a key determinant of the nature and extent of internationalization. Cavusgil and Godiwalla (1982), for instance, argue that the internationalisation decision is characterised by the absence of deliberate logical steps and is constrained by the subjective view and perceptions of the decision maker. While within a larger firm, the decision making process would probably be a group activity; within the small firm, this would tend to rest with the owner manager. In this regard, the findings of this study reveal that most Mauritian entrepreneurs were internationally oriented (as attested by the mode intensities of question 22, see page 442). Although the international orientation of the SME has been perceived as a necessary condition for SMEs to go global, it is not sufficient though to initiate internationalisation. In this respect, only few embarked on internationalisation activities.

The most cited reason towards the rejection of internationalisation was mainly that Mauritian SMEs preferred to concentrate on local market (77.09%). SME participants further argued that the implementation of international strategies was too expensive (75.70%) and that there was too much competition abroad (67.36%). They additionally perceived internationalisation as being too risky (65.97%) and viewed freight cost as a major problem (65.28%). On the other hand, Mauritian SMEs considered the expansion of their business, the lack of raw materials and cheaper raw materials as important stimulants to international strategies as important motives towards internationalization.

Since an international orientation is already existent, the focus for policy initiatives then becomes the ability and readiness of the firm to undertake the process of internationalising their business operations. These initiatives should be targeted at the development of the skills and resource base of the enterprise to ensure that the strategic objective of internationalisation represents a feasible strategic choice for the enterprise in question. Given that, small and medium-sized manufacturing firms do not constitute a single homogeneous group (Tesar 1976), it is thought essential that policy-makers fully understand the kinds of differences that exist among them if they are to provide programs that effectively move these firms into successful internationalisation.

Moreover, the government should understand that encouraging SMEs to take advantage of the emerging opportunity that internationalisation offers is not enough given the many constraints that plague such process.

8.7.2 Overcoming obstacles during internationalisation

Finances’, ‘Others’, ‘The Market’, and the ‘Planning review’ are according to Mauritian entrepreneurs the main main obstacles they come across as they internationalise. Part of the problem for SMEs is information.

8.7.2.1 Usefulness and quality of Market information

While most Mauritian SMEs recognised the usefulness of information gained from commercial banks, there were mixed feelings concerning the information obtained from the SEHDA, the Ministry of Small and Medium Enterprises, Commerce and Cooperatives and the Mauritius Chamber of commerce. For the Mauritian SMEs to prosper internationally, it is recommended that local authorities provide them with more up to date information on foreign markets.

In addition, the quality of information conferred upon internationalising SMEs is essential when taking decisions with respect to international markets. In this respect, SMEs internationalising firm declared that the information regarding ‘Forward Exchange contracts’ were ‘below average’ and ‘extremely poor’, highlighting Mauritian SMEs’ difficulty in managing their foreign exchange exposure. More importantly, 48.71% of the respondents felt that they were least informed about the support granted by the government.

Moreover, even if the ability to develop new ideas is reflective of the long term survival of all organizations, the mean intensity with respect to the item ‘conduct market analysis’ nevertheless showed that, on average, the Mauritian entrepreneur has mixed feelings regarding his capacity in identifying and quantifying the key features of the market.

Hence the government should convey to SMEs the adequate information regarding present opportunities and how to get access to market outside Mauritius. It needs also to provide support and advice to enable SMEs to get the most out of international markets.

The government should help SMEs to find suitable business partners in other countries and organise events that will bring them together. This may consist of specialised trade fairs to foster the interaction of the abovementioned parties towards the building of on-going relationships.

The government should also set up databases to provide information to businesses that are interested in doing business in other countries. It should provide for example practical information on the SMEs' rights and obligations in running businesses in such countries.

8.7.2.2 Networking and Clustering

An important factor shaping competitiveness in the global economy is the tendency for firms in the same business to locate and operate in close physical proximity. Clustering can generate benefits that progressively increase the competitive advantage of a group of firms and enable them to use this base to complete globally. It is highly recommended that institutions and policies encourage local SMEs towards networking and clustering that will aid training, technology access and skill development which will ultimately lead to improved performance; access to specialist knowledge, skills, resources; lower transaction costs; specialist infrastructure; enhanced productivity and output. These networks hence hold the promise of allowing smaller firms to compete with larger firms on a global basis and overcome the obstacles to performance derived from their lack of scale.

- **Competitiveness through Coopetition**

Coopetition or simultaneous co-operation and competition, is a recent phenomenon, which involves sharing knowledge that may be a key source of competitive advantage. This is important in the context of small and medium-sized enterprises, given that the latter are knowledge generators, but are poor at knowledge exploitation. The ultimate reason for such collaboration in many cases was to prevent the client taking the work to a company outside the domestic market.

The findings of this study have however made it clear that the majority of Mauritian SMEs have a fortress mentality when it comes to knowledge sharing. In this perspective, the government may stimulate demand for informal learning through the creation of a fund to support and enhance existing networks and clusters, and informal learning opportunities.

8.8 Encouraging Entrepreneurship In Mauritius

Perhaps most important of all are policies directed towards stimulating entrepreneurship in this globalisation context. Entrepreneurs are indeed business-minded people who can take a good idea or innovation and turn it into a thriving business that are the lifeblood of a prosperous economy.The following are the area to focus on to build a marketing oriented entrepreneurship culture in Mauritius.

- **Upgrading the Financial Management Skills of SMEs**

Ang (1991) has suggested a number of factors that distinguish small firms from their larger counterparts in the context of financial management practices. Only 50% of respondents believe they were capable of performing financial analysis (Mean=3.55). SMEs have lots of difficulties in managing the accounting and financial performance of their businesses. Problems, mainly arised in managing cash flow, product costing and finding long-term finance.

Hence, it is recommended that the local authorities assist local SMEs in developing a tailor-made software to manage the accounting and financial functions. Governmental institutions should also extend their help to Mauritian SMEs regarding the preparation of financial forecasts. The former should explain the importance of such forecasts in bank borrowing procedures.

- **Developing the innovative skills of local SMEs**

A key area of difference between small and large firms is their role in innovation. Conventionally, the role small firms play in innovation relates to their 'niche' role where: "it is the ability of the small firm to provide something marginally different, in terms of product or service, which distinguishes it from the more standardised product or service provided by the larger firm" (Storey, 1994). Small firms are more likely to introduce fundamentally new innovations than larger firms, a feature often attributed to small firms having less commitment to existing practices and products (Pavitt et al. 1987). Only a few local entrepreneurs expressed their confidence regarding the development of new production methods. Local SMEs must be encouraged to innovate with their production processes.

8.9 Other important issues

The findings of the focus groups gave further insights on other important issues affecting SMEs' growth. One factor heavily impinging on the competitiveness of Mauritian SMEs is the high tax paid, which explicitly involves tenant, tax, municipal tax and VAT tax-appropriating around 50% of small businesses' revenue.

- **Cutting Redtape**

Red tape is proportionately much more of a burden for SMEs than for larger firms. Unnecessary bureaucracy clearly puts a heavy strain on the limited human and financial resources of smaller firms and undermines their competitiveness. The government should for a start, withdraw laws, with the specific intention of making life simpler for SMEs. While rules are vital for the market to work, a healthy regulatory environment must encourage sustainable growth and help SMEs become more competitive.

Regulations: Strengthening dialogue and consultation with SME stakeholders

In order to get the balance right, the government should be directly involved in an active dialogue with the people concerned. It should hence consults extensively and regularly SME Panels to allow proposed policies or laws to be tested and evaluated by those who would be directly affect by them.

- **Reinforce Training on Marketing planning for internationalising Mauritian SMEs**

The respondents have mixed feelings as regards to their capacity in implementing a marketing mix and developing new marketing plans & strategies (Mean=3.48; Mean=3.47). Even if most researchers believe that marketing planning is a good thing and can benefit the organization (McDonald, 1992), studies in the USA and the UK have found that many companies fail to use a comprehensive marketing planning process (Winer, 1965; Greenley, 1985; McDonald, 1982a; 1982b). The reason for this is probably because there are many barriers to the preparation and implementation of marketing plans. McDonald (1989) summarises these difficulties in marketing planning under the following ten barriers: a confusion between marketing strategy and tactics; isolation of marketing function from business operations; a confusion between marketing function and marketing concept, prevailing organisational structures along functional lines; a lack of skills in in-depth analysis; a confusion between process and output; a lack of core marketing management knowledge and skills; a lack of a disciplined, systematic approach to marketing planning; a need to prioritise objectives and a need for a more appropriate marketing culture.

- **Reinforce Strategic Planning Abilities of internationalising Mauritian SMEs**

Although 5.77% of respondents declared that conducting strategic planning was within their capabilities (Mean=3.52), only 63.08% of respondents affirmed that they were capable of establishing and achieving goals and objectives (Mean=3.71). In addition, only 59.23% and 53.08% of respondents correspondingly argued that they were confident in their abilities when taking calculated risk and making decisions under risk and uncertainty (Mean=3.66; Mean=3.57).

Chapter 9

Conclusion

The present study has, through empirical research, investigated the general marketing orientation and competencies of SMEs in Mauritius. It was found that although there was a broad appreciation of the importance of marketing among small business owners, most marketing competencies were of, purely peripheral importance since the majority of these competencies were not developed by local SMEs. Such findings indicated that SMEs owners had a scant notion of marketing and its different components, resulting in an inability to successfully carry thorough marketing activities. As such, most Mauritian small firms were not widely aware and therefore not familiar with, marketing planning tools; thus reinforcing thus the view expressed by Siu and Kirby (1995) that small firms' marketing is still in its infancy.

The research findings also revealed that most local SMEs followed a product-oriented strategy with the majority of them agreeing that the products/services sold were more determined by internal politics than market needs. The results also demonstrated that local SMEs were market-oriented too. Yet, further analysis showed that within the market orientation construct, local small firms were predominantly customer-oriented, with almost inexistent interfunctional coordination and competitive intelligence. As regards market intelligence, the inherent lack of human and financial resources led Mauritian SMEs to rely on informal networks, rather than formalised market research to identify potential opportunities. As such, the investigators conclude that Mauritian SMEs do not possess the adequate marketing orientation and competencies that would secure them a competitive edge on the international market.

Alternatively, it was found that the local small firms carried out relationship marketing, which is the orchestration of internal resources and processes to create and sustain customer loyalty. As such this may serve to partly explain their customer orientation. Indeed most participants relied heavily on word-of-mouth marketing to develop their customer base through recommendations.

As regards to their marketing strategy, the research study disclosed that while some firms unconsciously segmented their market, based on income, age, life style, and product attributes, most Mauritian owner-managers nevertheless pursued an undifferentiated marketing, which ignored market-segment differences and was aimed at the market as a whole. As such, these firms were missing out on a great opportunity to gain a competitive edge. In relation to the marketing mix of local SMEs, the four elements of the marketing mix were not used as part of an integrated strategy. While much attention was given to the product strategy, Mauritian small firms neglected the other elements of the 4Ps. In this perspective, the findings of this study showed that Mauritian SMEs had mixed feelings with regards to their capacity in implementing a marketing mix and developing new marketing plans & strategies.

Instead, the local SMEs tended to specialize in interactions because they have strong preferences for personal contact with customers, rather than the impersonal marketing of mass promotion. For instance, although several promotional forms were mentioned, entrepreneurs regarded word-of-mouth communications as the most frequent and most important way of transmitting marketing messages. Entrepreneurs recognised the importance of building favourable images of their business in the marketplace in order to encourage positive word-of-mouth marketing.

In a similar vein, strategic orientation among SMEs in Mauritius was almost inexistent. Local firms adopted a laissez-faire approach to their operating environment, and were largely unprepared for any changes that may arise with the main strategic goal being that of survival. Thus such firms were unlikely to be proactive and were more likely to be slow to respond to the external environment until it is absolutely necessary.

The research study also analysed the extent to which Mauritian SMEs internationalized their activities. Even though Mauritian SMEs were internationally oriented, few of them embarked on a strategy of internationalization. The main cited reasons for the rejection of these internationalization strategies were a locally based strategy-even though the market is small and saturated; the high costs of internationalisation and fierce competition. Alternatively, internationalising firms were reported to engage mainly in low-risk strategies like importation and exportation. Not surprisingly, most SMEs were in favour of a cautious internationalisation strategy that is, building long-term close relationships with a limited number of foreign customers and developing its international activities one step at a time. As regards to the problems encountered during internationalization, many affirmed that fnance, the market, planning, bureaucracy and obtaining contracts were the major difficulties SMEs had to face. Furthermore, local firms were adamant that the support Government and its various industrial promotion and support institutions were below average.

The researchers also investigated how SMEs create and maintain a sustainable competitive advantage in the light of the increased complexity of international trade and business links. Since the domestic market is no longer the preserve of indigenous companies, the findings of this research revealed that most SMEs were not immune to severe competition from overseas firms, which was mainly due to a lack of strategic response. Again, this strongly demonstrates the reactive strategic orientation of Mauritian SMEs.

Lastly, the study provided important insights as to the different weaknesses of Mauritian owner-managers. Besides his inadequacy when using marketing mix techniques and strategies, the Mauritian entrepreneur also had mixed feelings as regards to their ability to conduct market analysis. It could also be argued that the owner-manager further lacked the necessary financial management skills required to ensure an appropriate balance between their ongoing trading activities and their working capital position.

Whilst it is believed that the present survey has contributed to a more in-depth understanding of the role of marketing, entrepreneurship of the Mauritian SME under globalisation, the results so viewed is only a foundation for more thorough follow-up research.

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Appendices

Appendix A:

- Cover letter for in-depth interview
- In-depth Interview’s Discussion Guide
- In-depth Interview’s Format

Dear Sir/Madam

As part of enhancing the body of knowledge regarding small and medium enterprises (SMEs) in Mauritius, the Mauritius Research Council and the University of Mauritius is collaborating on the following project:

'***Entrepreneurship and Marketing Strategy: The Mauritian SME under globalisation'***

The main objective of the study is to identify best marketing practices among local firms and to develop policy recommendations for the future sustainable growth of small enterprise marketing in Mauritius. In this respect, your views are quintessential for the success of the project.

The research team at the University of Mauritius would be grateful if a meeting can be arranged between you and Ms. Laura Shock Torap, who is the research technician for the project, on a day convenient to both of you. We would like to discuss marketing practices of your company and the extent to which globalisation has enabled or hindered the growth of your company. We will need at least an hour of your schedule to collect the required data.

You will receive shortly a phone call to arrange for the meeting. We are looking forward to your cooperation as an esteemed member of SMIDO. If you have any queries please do not hesitate to contact us on the following number at the University of Mauritius. (Tel: 4541041 ext. 1595, 1443)

Thanking you in adavance

Yours sincerely

Mr. Girish Prayag
Principal Investigator
Dept. of Management
University of Mauritius

Dr. R. V. Sannasee
Investigator
Dept. of Accounting and Finance
University of Mauritius

A. **<u>Profile of the firm</u>**

1. What are your main product lines?
2. Number of employees:
3. Number of years in operation:
4. Market type: Do you offer the same products locally and internationally?
5. What do you think are the major strengths and weaknesses of your business?
6. Do you normally develop products and find markets for them or do you find markets first and then develop products?
7. What are the sources of information that you use to assess your market opportunities?
8. Do you believe that globalisation has had an impact on your company? How?

B. **<u>Marketing Planning</u>**

9. Briefly describe your main marketing planning activities. How often do you change your 4Ps and why?
10. What is the marketing philosophy in your organisation?
11. Do you do marketing planning weekly, monthly, yearly?
12. Do you formally prepare a marketing plan for new product/services? If no, why?
13. How do you ensure that marketing objectives are achieved?
14. Is there a person responsible for the monitoring of the plan?

C. Market Orientation

1. Customer Orientation

15. What are the strategies in place in your organisation to understand the current and future needs of your customers?

16. What kind of monitoring do you have in place to identify changes in customer needs and preferences?

17. What do you do to attract and keep customers?

18. What would you say is your overall marketing strategy? – Low cost strategy, product differentiation through quality.

1.1 Innovation orientation

19. Are you still selling the same products or modified ones or have you introduced new products or services since your establishment? Which ones and why?

20. Did you bring innovation in your production processes over the last few years? What kind of innovation?

21. Do you believe that your product/service is differentiated from what is available on the market place? If yes, how?

2. Competitor Orientation

22. Who do you believe are your competitors? Have you been able to gain market share in the last few years? If yes, how? If no, why not?

23. Compared to your competitors what do you believe is the strength of your company?

24. What does your competitor do better than you?

25. How can you improve your position vis à vis your competitors?

26. Do you have any term of formal monitoring of competitors activity as part of your marketing strategy? If yes please describe.

3. Functional Coordination/Synchronisation

27. Besides the marketing function in your organisation, is there any other department in your organisation that adheres to the philosophy of "putting your customer first"?

28. Do you believe other departments of your company are sensitive and responsive to the marketing needs of those involved in marketing in your organisation?

D. <u>Networking</u>

29. To what extent do you rely on contacts to gather market information? Are your contacts local or international?

30. In what way do these contacts help you in your decision making process?

E. <u>Performance</u>

31. Compared to last year, would you say that your profit has increased? What are the factors that have driven this increase/decrease?

32. What, do you think are the major areas of growth in this sector? Do you intend to invest in these areas? If no, why not?

33. Have your total number of customers increased or decreased? What are the major factors contributing to this increase or decrease?

34. How do you measure the success of your new products?

F. <u>Entrepreneurial Characteristics</u>

35. Do you believe that for an SME to succeed, the personality of the entrepreneur is critical for success? What do you believe are traits that make an entrepreneur successful?

36. Do you believe that you have to be a risk taker and take above average risk compared to large organisations?

37. Do you believe that flexibility and adaptation is a major requirement for the success of an SME? If yes, give examples.

38. How much do you rely on intuition to make decisions with regards to new ventures and new products?

39. As a person, what do you think are your major strengths and weaknesses? According to you what are the areas of improvement in which you need training?

G. Internationalisation

40. How do you see the future of your company vis à vis this increasing number of competitors? Based on this, do you intend to diversify? Which markets will you be targeting?

41. Are you confident that you will stand competition? What are the strategies that have been put in place in your company to face competitors?

42. How do you perceive the assistance that the government and its institutions are giving to SMEs?

43. What assistance should be provided by the government to find new markets?

44. If you decide to go on international markets, will you prefer to go on your own or to form an alliance with other SMEs?

45. Do you think that a clustering strategy will work?

46. How do you see the future of SMEs in Mauritius?

PROFILE OF THE FIRM		
1	Main Product Lines	
2	Number of employees	
3	Number of years in operation	
4	Market Type	
5	Major strengths and weaknesses	
6	Market/Product orientation	
7	Sources of information to assess market opportunities	
8	Impact of globalisation on your company	

MARKETING PLANNING		
9	Description of marketing planning activities	
10	Marketing philosophy	
11	Marketing planning period	
12	Formal marketing plan for new products/services	
13	Ensure marketing objectives are achieved	
14	Who's responsible for the plan	

MARKET ORIENTATION		
1.Customer Orientation		
15	Understanding the current & future needs of customers	
16	Identifying changes in customer needs & preferences	
17	Customer Loyalty	
18	Overall marketing strategy	
19	Product innovation- Which ones & why?	
20	Process innovation/Kind of innovation	
21	Product differentiation- if yes, how?	

2. Competitor Orientation		
22	Who are your competitors? Gain market share in the last few years?	
23	Strengths of your company, compared to your competitors	
24	What does your competitor do better than you?	
25	How can you improve your position vis à vis your competitors?	
26	Term of formal monitoring of competitors activity-if yes description	
3.Functional coordination		
27	Any other department, putting your customers first?	
28	Are other departments of your company sensitive & responsive?	

NETWORKING		
29	Reliance on contacts to gather market information- local / int'l	
30	Ways in which these contacts help in decision making process	
Performance		
31	Compared to last year, factors behind incr/decr in profit	
32	Major areas of growth/intention to invest in these areas/No, why not?	
33	Major factors in total increase /decrease number of customers	
34	Measuring success of your new products.	

ENTREPRENEURIAL CHARACTERISTICS		
35	Traits that make an entrepreneur successful?	
36	Risk-taker and take above average risk	
37	Flexibility & Adaptation	
38	Reliance on intuition to make decisions	
39	Major personal strengths & weaknesses/Training	

Internationalisation		
40	How do you see the future of your company vis à vis this increasing number of competitors?	
41	Strategies in place to face competitors	
42	Assistance given by Government and governmental institutions.	
43	What should the government do to help you find new markets?	
44	International markets: All alone or in group?	
45	Clustering	
46	Future of SMEs?	

Appendix B:

- Cover letter for Focus groups
- Focus Group’s Discussion Guide (English version)
- Focus Group’s Discussion Guide (French version)

Dear Sir/Madam,

As part of enhancing the body of knowledge regarding small and medium enterprises (SMEs) in Mauritius, the Mauritius Research Council and the University of Mauritius is collaborating on the following project:

'***Entrepreneurship and Marketing Strategy: The Mauritian SME under globalisation'***

The main objective of the study is to identify best marketing practices among local firms and to develop policy recommendations for the future sustainable growth of small enterprise marketing in Mauritius. In this respect, your views are quintessential for the success of the project.

For the purpose of this research, a focus group with Mauritian entrepreneurs will be held on this Thursday, 24th of November from 16hr30 until 17hr30 at the University of Mauritius in the New Academic complex, on the 2nd floor in Room 2.14. Please arrive around 16hr15, as we will begin the focus group promptly at 16hr30.

The focus group will include participants from various sectors. During this meeting, you will have the opportunity to share your experiences and thoughts about small firms' marketing practices and other related issues. Please rest assured that all the information that will be obtained from you in the focus group will be treated with strict confidentiality. We are sure that you understand the importance of this project and hope that you will be able to extend your valuable contribution.

With anticipated thanks for your co-operation.

Yours faithfully

Mr. Girish Prayag
Principal Investigator
Dept. of Management
University of Mauritius

Dr. R. V. Sannassee
Investigator
Dept. of Accounting and Finance
University of Mauritius

1. What are the opportunities and challenges faced by Mauritian SMEs? Locally vs. internationally.

2. What do you believe have been the impact of globalisation on SMEs?

3. What do you believe is the role of marketing in business planning in Mauritian SMEs?
4. Is there a need for marketing plans for SMEs?

5. What do you believe is the importance of market research for SMEs?

6. How can SMEs improve their competitiveness in the local market?

7. What role does advertising and promotion play in the success of SMEs?

8. What is the role of Technology in the development of SMEs in Mauritius?

9. What are the inherent difficulties faced by SMEs for product differentiation?

10. How do you see the future of SMEs in view of increasing competition?

11. What are the strategies that can be put in place to face competition from imports?

12. What assistance should be provided by the government to find new markets?

13. A clustering strategy has been proposed for a long time? What do you believe are the barriers to implementation?
14. Do you believe that networking is important for the success of SMEs?

15. What are the pros and cons for joint venture among SMEs?

16. What do you foresee to be major growth sectors for SMEs locally?

17. How do you perceive the future of SMEs in other sectors? What can be done to help them?

1. Quels sont, d'après vous, les opportunités et les défis qu'une petite et moyenne entreprise doit relever, que ce soit au niveau local et international ?

2. Quel a été, selon vous, l'impact de la mondialisation/globalisation sur les petites et moyennes entreprises ?

   - [Approfondir] sur l'impact que cela a eu sur le marketing.

3. Quelle est d'après vous l'importance du marketing dans le '*business plan*' d'une petite et moyenne entreprise ?
   - [Approfondir] sur l'importance du marketing dans le business.
   - [Approfondir] est ce que le marketing doit être considéré comme quelque chose d'à part entière, complètement séparé des autres départements tels que le département de comptabilité, des ressources humaines etc., si les réponses sont essentiellement sur la publicité et sur la promotion.
   - [Approfondir] Pensez-vous que les produits doivent être faits en premier lieu et ensuite trouver les clients pour vendre vos produits ? ou est ce que cela doit être l'inverse, c'est à dire, trouver le client d'abord et ensuite lancer la production ? Quel est le pour et le contre de chaque façon de penser ?

4. Pensez-vous qu'il soit impératif pour une petite et moyenne entreprise d'établir/de rédiger un *marketing plan* ?
   - [Approfondir] sur le lancement de nouveaux produits.
   - [Approfondir] Quels sont d'après vous les obstacles qui empêcheraient la mise en application d'un *marketing plan*?

5. Quelle est selon vous l'importance que les PMEs accordent à une étude de marché ?
   - Pensez-vous que cela soit du ressort du gouvernement ou de la SEHDA ?
   - [Approfondir] Pensez-vous que les recherches menées par l'ex-SMIDO fut utiles et appropriées ?
   - Comment est ce que les PMEs font pour comprendre les besoins des clients et ensuite, comment font-ils pour s'adapter au marché ?

6. Comment est ce que les PMEs peuvent améliorer leur compétitivité sur le marché local ?
   - Que peut-on faire afin d'améliorer leurs produits/services ?
   - [Approfondir] → plus de variétés, qualité, le prix, la distribution et la promotion des produits.
   - Quels sont les opportunités et les défis à relever, en ce qui concerne la fixation du prix à Maurice ?
7. Quels sont, selon vous, les rôles que la publicité et la promotion détiennent par rapport au succès d'une PME ?

- [Approfondir] → Foires internationaux (local/international)

8. Quelle est l'importance de la technologie dans le développement d'une petite et moyenne entreprise ?

   - [Approfondir] Comment est ce qu'elle peut (la technologie) contribuer à l'émergence de produits novateurs /nouveaux produits?
   - [Approfondir] Comment est ce qu'elle peut contribuer à l'émergence de nouveaux procédés, c'est à dire, à l'émergence de nouvelles méthodes de productions ?
   - Qu'est ce que le gouvernement pourrait faire afin d'aider les PMEs à s'approprier une technologie plus avancée?

9. Quelles sont selon vous les difficultés que les PMEs rencontrent pour rendre leurs produits et leurs services différents, de ceux qui existent déjà sur le marché?

10. Comment percevez-vous l'avenir des PMEs face au nombre grandissant de compétiteurs ?

11. Quelles devraient être les stratégies mises en place afin d'évincer la compétition provenant des produits importés ?

12. Quelle est selon vous l'aide que le gouvernement devrait offrir aux PMEs afin de les aider à trouver de nouveaux marchés ?

13. Depuis un certain nombre de temps il a été question d'une stratégie de clustering- quels sont d'après vous les obstacles qui empêcheraient sa mise en application ?

    - Comment est ce que cette stratégie de clustering pourrait augmenter la compétitivité des PMEs mauriciennes?

14. Quelle est d'après vous la part de contribution que le networking apporte au succès d'une PME ?

15. Quels sont, selon vous, les avantages et les désavantages pour une PME à s'engager dans un joint venture/ accord de partenariat ?

16. Quels sont d'après vous, les principaux marchés porteurs de croissance pour une petite et moyenne entreprise au niveau local ?

17. Comment voyez-vous l'avenir des PMEs dans les autres secteurs ? Que pourrait-on faire afin de les venir en aide ?

Appendix C:

- Cover letter for Survey
- The Questionnaire (English version)
- The Questionnaire (French version)

Dear Sir/Madam,

As part of enhancing the body of knowledge regarding small and medium enterprises (SMEs) in Mauritius, the Mauritius Research Council and the University of Mauritius are collaborating on the following project:

‘***Entrepreneurship and Marketing Strategy: The Mauritian SME under globalisation’***

The main objective of the study is to identify best marketing practices among local firms and to develop policy recommendations for the future sustainable growth of small enterprise marketing in Mauritius. In this respect, your views are quintessential for the success of the project.

For the purpose of this research, we are conducting a survey on the marketing practices of your company and the extent to which globalisation has enabled or hindered the growth of your company. We would, hence, be grateful if a meeting could be arranged between you and one of our fieldworkers on a day convenient to both of you. We will need at least 45 minutes of your schedule to collect the required data.

You will receive shortly a phone call to arrange for the meeting. We are looking forward to your cooperation as an esteemed member of SMIDO. Please rest assured that all the information that will be obtained from you will be treated with strict confidentiality. We are sure that you understand the importance of this project and hope that you will be able to extend your valuable contribution. If you have any queries, please do not hesitate to contact us on the following number at the University of Mauritius. (Tel: 4541041 ext. 1595, 1443)

With anticipated thanks for your co-operation.

Yours faithfully

Mr. Girish Prayag
Principal Investigator
Dept. of Management
University of Mauritius

Dr. R. V. Sannassee
Investigator
Dept. of Accounting and Finance
University of Mauritius

Questionnaire No

Good morning my name is ______________________________. Thank you for the opportunity to meet with you today to discuss our survey on the marketing strategies of Small & Medium Enterprises (SMEs) in Mauritius and how globalisation has impacted on their activities.

The interview will last approximately 45 minutes. Rest assured that all the information obtained during the interview is going to be treated with strict confidentiality. Please answer each item as honestly as possible.

SECTION A : Approaches to Marketing

Question 1
Using the scale below, indicate the degree of importance to be attached to the following marketing competencies by SMEs in Mauritius. (Please rate on a 1-5 point scale, where 1 = Very important, 2 = Important, 3 = Neither important nor unimportant, 4 = Not important and 5 = Not at all important.

		Very important	Important	Neither important nor unimportant	Not important	Not at all important
1.1	Knowledge of customers.	1	2	3	4	5
1.2	Knowledge of market trends.	1	2	3	4	5
1.3	Knowledge of competitive advantages.	1	2	3	4	5
1.4	Knowledge of competitive disadvantages.	1	2	3	4	5
1.5	Availability of on-time information for decision-making.	1	2	3	4	5
1.6	Exact sales forecasting.	1	2	3	4	5
1.7	Development of marketing plan.	1	2	3	4	5
1.8	Market segmentation to identify distinct groups of customers.	1	2	3	4	5
1.9	Development of new products/services.	1	2	3	4	5
1.10	Deletion of old/weak product/services.	1	2	3	4	5
1.11	Improvement in quality of products/services.	1	2	3	4	5
1.12	Effective advertising/promotion.	1	2	3	4	5
1.13	Managing public relationships through PR activities.	1	2	3	4	5
1.14	Managing market image/ regulation of the company.	1	2	3	4	5
1.15	Achievement of sales targets.	1	2	3	4	5

1.16	Building a climate of trust with customers	1	2	3	4	5
1.17	Exact fulfilment of promises to customers.	1	2	3	4	5
1.18	Building a climate of trust with suppliers.	1	2	3	4	5
1.19	Building a climate of trust with banks.	1	2	3	4	5
1.20	Assessment of results and comparison with targets.	1	2	3	4	5
1.21	Terms to ease payments for customers.	1	2	3	4	5
1.22	Use of effective pricing methods.	1	2	3	4	5
1.23	Development of climate of trust with government.	1	2	3	4	5
1.24	Effective confinement of costs/expenses	1	2	3	4	5
1.25	Quality assessment production	1	2	3	4	5
1.26	Control of raw materials and supplies	1	2	3	4	5
1.27	Control of ratio of own to borrowed capital	1	2	3	4	5
1.28	Use of advanced marketing technologies.	1	2	3	4	5
1.29	Availability of working capital.	1	2	3	4	5
1.30	Setting market share objectives.	1	2	3	4	5
1.31	Setting profitability objectives.	1	2	3	4	5
1.32	Determining target markets.	1	2	3	4	5
1.33	Establishing the brand proposition in the various target markets.	1	2	3	4	5
1.34	Deciding brand positioning.	1	2	3	4	5
1.35	Determining marketing mix strategies.	1	2	3	4	5

Question 2

Using the scale below, indicate the extent to which you agree or disagree with the following statements as being part of your business philosophy. (Please rate on a 1-5 point scale, where 1= Strongly agree, 2 = Agree, 3 = Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree.)

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Customer orientation						
2.1	We encourage customer comments and complaints because they help us to do a better job.	1	2	3	4	5
2.2	After-sales service is an important part of our business strategy.	1	2	3	4	5
2.3	We have a strong commitment to our customers.	1	2	3	4	5
2.4	We are always looking at ways to create customer value in our products.	1	2	3	4	5
2.5	We measure customer satisfaction on a regular basis.	1	2	3	4	5
2.6	Our firm would be a lot better off if the sales force worked a bit harder.	1	2	3	4	5
2.7	In our company marketing's most important job is to identify and help meet the needs of our customers.	1	2	3	4	5
2.8	We define quality as the extent to which our customers are satisfied with our products/services.	1	2	3	4	5
Competitor orientation						
2.9	We regularly monitor our competitors' marketing efforts.	1	2	3	4	5
2.10	We frequently collect marketing data on our competitors to help direct our marketing plans.	1	2	3	4	5
2.11	Our salespeople are instructed to monitor and report on competitor activity.	1	2	3	4	5
2.12	We respond rapidly to competitors' actions.	1	2	3	4	5
2.13	As members of top management, we often discuss competitors' actions.	1	2	3	4	5
2.14	We consider opportunities based on competitive advantage.	1	2	3	4	5
Interfunctional coordination						
2.15	In our firm the marketing people have a strong input into the development of new products/services.	1	2	3	4	5
2.16	Marketing information is shared with all departments.	1	2	3	4	5
2.17	All departments are involved in preparing business plans/strategies.	1	2	3	4	5
2.18	We do a good job integrating the activities of all departments.	1	2	3	4	5
2.19	The marketing people regularly interact with other departments on a formal basis.	1	2	3	4	5

2.20	Marketing is seen as a guiding light for the entire firm.	1	2	3	4	5
Profit orientation						
2.21	Our management information system can quickly determine the profitability of our major customers.	1	2	3	4	5
2.22	Our management information system can quickly determine the profitability of our product lines.	1	2	3	4	5
2.23	Our management information system can quickly determine the profitability of our sales territories.	1	2	3	4	5
2.24	Our management information system can quickly determine the profitability of our distribution channels.	1	2	3	4	5
Intelligence generation						
2.25	Frontline staff interacts directly with customers to see how we can serve them better.	1	2	3	4	5
2.26	We do a lot of marketing research to assess customer perceptions of our products/services.	1	2	3	4	5
2.27	We are slow to detect changes in our customers' preferences.	1	2	3	4	5
2.28	We collect industry information on an informal basis.	1	2	3	4	5
2.29	We regularly review the likely effect of changes in our business environment (e.g, interest rate changes, changes in legislation)	1	2	3	4	5
Intelligence Dissemination						
2.30	We regularly have inter-departmental meetings to discuss market trends and developments.	1	2	3	4	5
2.31	Our marketing people regularly discuss customer needs with other departments.	1	2	3	4	5
2.32	Customer satisfaction data are regularly distributed to all departments.	1	2	3	4	5
2.33	There is minimal communication between marketing and other departments about market developments.	1	2	3	4	5
2.34	When one department finds out something about a competitor it is often slow to alert other departments.	1	2	3	4	5
Response design						
2.35	It takes us forever to decide how to respond to competitors' price changes.	1	2	3	4	5
2.36	Somehow we tend to ignore changes to our customers' product/service needs.	1	2	3	4	5
2.37	We regularly check our product/service developments to assess whether they are in line with customer needs.	1	2	3	4	5
2.38	Our business activities are driven more by technological advances than by market	1	2	3	4	5

	research.					
2.39	The products/services we sell are determined more by internal politics than market needs.	1	2	3	4	5
Response implementation						
2.40	If a competitor launches a programme targeted at our customers we'll react immediately.	1	2	3	4	5
2.41	The activities of our departments are well co-ordinated.	1	2	3	4	5
2.42	Customer complaints fall on deaf ears in this firm.	1	2	3	4	5
2.43	We are quick to respond to significant changes in our competitors' pricing.	1	2	3	4	5
2.44	If we find out that customers are dissatisfied with the quality of our products/services we immediately take corrective action.	1	2	3	4	5
Brand management issues						
2.45	We invest significantly in managing and promoting our service brands.	1	2	3	4	5
2.46	We invest significantly in managing and promoting the reputation/image of our organisation/firm.	1	2	3	4	5
2.47	We invest significantly in customer loyalty programs.	1	2	3	4	5
2.48	We invest significantly in research into internal perceptions about our brand(s) (perceptions of frontline staff, core service providers, management)	1	2	3	4	5
2.49	We invest significantly in research into external perceptions about our brand(s) (perceptions of customers, intermediaries, suppliers).	1	2	3	4	5

Question 3

On a scale of 1 to 5 where 1= Strongly agree, 2 =Agree, 3 = Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree, indicate the extent to which you agree/disagree with the following statements.

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
3.1	The key business success is producing quality goods and services at a reasonable cost. Good products and services sell themselves. If possible, products and services should be standardised to keep costs down.	1	2	3	4	5
3.2	The key business success is in developing products that offer the most quality, performances and innovative features. The firm should focus on making superior products/services improving them over time.	1	2	3	4	5
3.3	The key to business success lies in persuading potential customers to buy goods and services through advertising, personal selling or other means. Potential customers must be informed and convinced of the benefits of the products.	1	2	3	4	5
3.4	The key to business success is to integrate all company activities and personnel towards satisfying customers, while providing satisfactory profits to the firm. The firm should find out what benefits customers want and then provide these benefits through goods and services.	1	2	3	4	5
3.5	The key to business success lies in satisfying important “publics’ of the company. These publics include customers, employees, shareholders, government agencies, suppliers and the public at large. All of their interests should be considered when making decisions.	1	2	3	4	5
3.6	The key to business success is in developing life-long relationships with the firm’s most valued customers. The firm should focus on attracting and retaining the most profitable customers by tailoring products/services to their needs.	1	2	3	4	5

SECTION B: Marketing Competitiveness

Question 4

To what extent has globalisation had an impact on the following in your organisation? (Please rate on a 1-5 point scale, where 1= Very high impact, 2 = Moderately high impact, 3 = Neither high nor low impact, 4 = Moderately low impact and 5 = No impact at all.)

		Very high impact	Moderately high impact	Neither high nor low impact	Moderately low impact	No impact at all
4.1	Competitive pricing of your products/services	1	2	3	4	5
4.2	Product quality	1	2	3	4	5
4.3	Speed of reaction to customer needs	1	2	3	4	5
4.4	Company/ brand image	1	2	3	4	5
4.5	Personal selling	1	2	3	4	5
4.6	Product range	1	2	3	4	5
4.7	Contacts with industry suppliers	1	2	3	4	5
4.8	Distribution coverage.	1	2	3	4	5
4.9	Marketing research.	1	2	3	4	5
4.10	Product performance.	1	2	3	4	5
4.11	Cost advantage.	1	2	3	4	5
4.12	After-sales service.	1	2	3	4	5
4.13	Advertising.	1	2	3	4	5
4.14	Other promotions.	1	2	3	4	5
4.15	Product design.	1	2	3	4	5
4.16	Marketing information gathering	1	2	3	4	5
4.17	Packaging	1	2	3	4	5
4.18	Attraction and retention of customers	1	2	3	4	5
4.19	Marketing planning	1	2	3	4	5

Question 5

Based on the impact described in Question 4, describe the type of adjustment strategy used by your firm in response to globalisation. (Please rate on a 1-5 point scale, where 1= Strongly agree, 2 =Agree, 3 =Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree.)

Adaptability to the environment

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
5.1	You have put stronger emphasis on profit margin.	1	2	3	4	5
5.2	You had frequent price adjustments.	1	2	3	4	5
5.3	You had to provide extra service to justify higher prices.	1	2	3	4	5
5.4	You had to practice competitive pricing to maintain customers.	1	2	3	4	5
5.5	You tried to increase sales volume.	1	2	3	4	5
5.6	It provided you with an opportunity to capitalise on new markets.	1	2	3	4	5
5.7	You were forced to stay ahead of new competitors.	1	2	3	4	5
5.8	You had to carry marginally profitable products to satisfy customers.	1	2	3	4	5
5.9	You had to invest more in technology.	1	2	3	4	5
5.10	You had to reduce product lines.	1	2	3	4	5
5.11	You had to introduce new products.	1	2	3	4	5
5.12	You had to increase market research.	1	2	3	4	5
5.13	You had to provide more discounts to customers to move slow products.	1	2	3	4	5
5.14	You had to increase promotional activities.	1	2	3	4	5
5.15	You had to broaden sales force responsibility.	1	2	3	4	5
5.16	You had to re-examine distribution channels.	1	2	3	4	5
5.17	You had to reduce sales force.	1	2	3	4	5
5.18	You had to change marketing planning.	1	2	3	4	5

Question 6

Given the dynamic nature of the environment in which SMEs operate, to what extent do you believe that adaptation is a necessary criterion for the following in order for your firm to grow in the future. (Please rate on a 1-5 point scale, where 1 = Extensive adaptation, 2 = Much adaptation, 3 = Neither little nor much adaptation, 4 = Minor adaptation, and 5 = No adaptation at all.)

		Extensive adaptation	Much adaptation	Neither little nor much adaptation	Minor adaptation	No adaptation at all
6.1	Product/service brand name.	1	2	3	4	5
6.2	Product/service design.	1	2	3	4	5
6.3	Product/service labelling.	1	2	3	4	5
6.4	Product/service quality.	1	2	3	4	5
6.5	Product/service warranties.	1	2	3	4	5
6.6	Advertising idea/theme.	1	2	3	4	5
6.7	Media channel for advertising.	1	2	3	4	5
6.8	Promotion objectives.	1	2	3	4	5
6.9	Budget for promotion.	1	2	3	4	5
6.10	Public Relation emphasis.	1	2	3	4	5
6.11	Direct marketing/mailing.	1	2	3	4	5
6.12	Pricing strategy.	1	2	3	4	5
6.13	Concession of credit.	1	2	3	4	5
6.14	Price discounts policy.	1	2	3	4	5
6.15	Margins.	1	2	3	4	5
6.16	Quality/price relation.	1	2	3	4	5
6.17	Criteria to select the distribution system.	1	2	3	4	5
6.18	Transportation strategy.	1	2	3	4	5
6.19	Budget for distribution.	1	2	3	4	5
6.20	Distribution networks.	1	2	3	4	5
6.21	Accomplishment of delivery deadlines.	1	2	3	4	5
6.22	Customer bases.	1	2	3	4	5
6.23	Production methods.	1	2	3	4	5
6.24	Level of subcontracting.	1	2	3	4	5
6.25	Introduction of new technology.	1	2	3	4	5
6.26	Increased productivity.	1	2	3	4	5
6.27	Business management approach.	1	2	3	4	5
6.28	Training & development of employees.	1	2	3	4	5
6.29	Hiring and firing of employees.	1	2	3	4	5
6.30	Performance and reward system of employees.	1	2	3	4	5

Question 7 Company performance

Relative to your competitors, how would you describe the performance of your company on the following measures during the past 5 years, using the following scale:

1 = Our company has shown much better performance across this indicator compared to the major competitors.
2 = Our company has shown relatively better performance across this indicator compared to the major competitors.
3 = Our company has shown neither better nor worse performance across this indicator compared to the major competitors.
4 = Our company has shown relatively worse performance indicator compared to the major competitors.
5 = Our company has shown much worse performance indicator compared to the major competitors.

		Much better performance	**Relatively better performance**	**Neither better nor worse performance**	**Relatively worse performance**	**Much Worse performance**
7.1	Profit.	1	2	3	4	5
7.2	Sales volume.	1	2	3	4	5
7.3	Market share.	1	2	3	4	5
7.4	Return on investment.	1	2	3	4	5
7.5	Cash flow.	1	2	3	4	5
7.6	Customer satisfaction.	1	2	3	4	5
7.7	Customer loyalty.	1	2	3	4	5
7.8	Brand awareness.	1	2	3	4	5

SECTION C: Strategic Orientation.

Question 8
As owner/manager of an SME, to what extent do you agree/disagree that the following statements reflect your overall business strategy. (Please rate on a 1-5 point scale, where 1= Strongly agree, 2 =Agree, 3 = Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree.)

		Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**
Aggressiveness						
8.1	We often sacrifice profitability to gain market share.	1	2	3	4	5
8.2	We often cut prices to increase market share.	1	2	3	4	5
8.3	We often set prices below competition.	1	2	3	4	5
8.4	We often seek market share position at the expense of cash flow and profitability.	1	2	3	4	5
Analysis						
8.5	We emphasise effective coordination among different functional areas.	1	2	3	4	5
8.6	Our information system provides support for decision-making.	1	2	3	4	5
8.7	When confronted with a major decision, we usually try to develop through analysis.	1	2	3	4	5
8.8	We use several market planning techniques.	1	2	3	4	5
8.9	We use the outputs of management information and control system.	1	2	3	4	5
8.10	We commonly use manpower planning and performance appraisal for our employees.	1	2	3	4	5
Defensiveness						
8.11	We occasionally conduct significant modification to our production /manufacturing technology.	1	2	3	4	5
8.12	We often use cost control system for monitoring performance.	1	2	3	4	5
8.13	We often use production management techniques.	1	2	3	4	5
8.14	We often emphasise product quality through the use of quality circles.	1	2	3	4	5
Futurity						
8.15	We emphasise basic research to provide us with future competitive edge.	1	2	3	4	5
8.16	Forecasting key indicators of operations is common.	1	2	3	4	5
8.17	Formal tracking of significant general trends is common.	1	2	3	4	5
8.18	We often conduct "what if" analysis of critical issues.	1	2	3	4	5
Proactiveness						
8.19	We are constantly seeking new opportunities related to present operations.	1	2	3	4	5
8.20	We are usually the first ones to introduce new	1	2	3	4	5

	brands or products on the market.					
8.21	We are constantly on the look out for businesses that can be acquired.	1	2	3	4	5
8.22	Operations in later stages of the life cycle are strategically eliminated.	1	2	3	4	5
8.23	We firmly believe that a change in market creates a proactive opportunity for us.	1	2	3	4	5
8.24	The firm continuously monitors trends and identifies future needs of customers and/or anticipates future demand conditions.	1	2	3	4	5
8.25	The firm effectively introduces new products and technologies ahead of competition.	1	2	3	4	5
8.26	The firm continuously seeks out new product or service offerings.	1	2	3	4	5
Competitive Aggressiveness						
8.27	The firm enhances its competitive position by entering markets with drastically lower prices, copying the business practices or techniques of successful competitors.	1	2	3	4	5
8.28	The firm knows when it is in danger of acting overly aggressive and avoid situation, which can lead to erosion of firm reputation and retaliation by competitors.	1	2	3	4	5
Riskiness						
8.29	We seem to adopt a rather conservative view when making major decisions.	1	2	3	4	5
8.30	New projects are approved on a “stage by stage” basis rather than with blanket approval.	1	2	3	4	5
8.31	We have a tendency to support projects where the expected returns are certain.	1	2	3	4	5
8.32	Our operations have generally the “tried and true” paths.	1	2	3	4	5
8.33	We implement plans only if we are sure that they will work.	1	2	3	4	5
8.34	The firm foster and encourage a proper level of business, financial and personal risk-taking.	1	2	3	4	5
8.35	The firm enhances its competitive risk position by researching and assessing risk failures in order to minimise uncertainty.	1	2	3	4	5
8.36	The firm enhances its competitive risk position by applying techniques and processes that have worked in other domains.	1	2	3	4	5
Innovativeness						
8.37	When it comes to problem solving, we value creative new solutions more than the solutions of conventional wisdom.	1	2	3	4	5
8.38	Our firm encourages and stimulates technological product market and administrative innovation.	1	2	3	4	5
8.39	The firm properly invests in new technology, R&D and continuous investment.	1	2	3	4	5
8.40	The firm’s innovative initiatives are hard for competitors to successfully imitate.	1	2	3	4	5

Formalisation						
8.41	I feel that I am my own boss in most matters.	1	2	3	4	5
8.42	A person in the organisation can make his own decision without checking with somebody else.	1	2	3	4	5
8.43	The employees are constantly being checked for rule violations.	1	2	3	4	5
Autonomy						
8.44	We consider developing independent work units to enhance creative thinking.	1	2	3	4	5
8.45	We coordinate activities in all departments to minimise inefficiencies and duplication of efforts.	1	2	3	4	5
8.46	We have a proper balance between patience and tolerance for autonomous employees and the forbearance to reduce or eliminate initiatives that are not succeeding.	1	2	3	4	5
8.47	We have a flexible structure to stimulate new ideas within the firm.	1	2	3	4	5
8.48	We have the necessary culture, rewards and processes to support new product/service ideas development.	1	2	3	4	5

Question 9

Considering your business venture over the past five years, how would you classify the following items. (Please rate on a 1-5 point scale, where 1 =Very much, 2 = Relatively much, 3 = Neither much nor little, 4 = Relatively little and 5 = None at all.)

		Very much	**Relatively much**	**Neither much nor little**	**Relatively little**	**None at all**
9.1	There was significant planning for exporting products/services.	1	2	3	4	5
9.2	There was significant amount of effort involved in developing foreign customer bases.	1	2	3	4	5
9.3	There was significant amount of financial resources allocated to developing foreign markets.	1	2	3	4	5
9.4	There was significant amount of human resources dedicated to develop foreign markets.	1	2	3	4	5
9.5	There were more financial resources devoted to developing domestic markets.	1	2	3	4	5
9.6	There were more human resources devoted to developing domestic markets.	1	2	3	4	5
9.7	There was significant planning for developing domestic markets.	1	2	3	4	5

SECTION D : Entrepreneur Characteristics & Entrepreneurial orientation

Question 10

To what extent do you agree or disagree, that as an entrepreneur you need to possess the following personal characteristics to be successful. (Please rate on a 1-5 point scale, where, 1 = Very important, 2 = Important, 3 = Neither important nor unimportant, 4 = Not important, and 5 = Not at all important)

		Very important	Important	Neither important nor unimportant	Not important	Not at all important
10.1	Drive to succeed.	1	2	3	4	5
10.2	Self –confidence	1	2	3	4	5
10.3	Action-oriented	1	2	3	4	5
10.4	Persistence	1	2	3	4	5
10.5	Risk-taking.	1	2	3	4	5
10.6	Creativity	1	2	3	4	5
10.7	Self-discipline	1	2	3	4	5
10.8	Resourcefulness	1	2	3	4	5
10.9	Independence	1	2	3	4	5
10.10	Leadership skills	1	2	3	4	5
10.11	Business intelligence/acumen	1	2	3	4	5
10.12	Organisational skills	1	2	3	4	5
10.13	Planning skills	1	2	3	4	5
10.14	Boldness	1	2	3	4	5
10.15	Analytical skills	1	2	3	4	5
10.16	Experience	1	2	3	4	5
10.17	Ability to network	1	2	3	4	5
10.18	Strong moral values	1	2	3	4	5
10.19	Luck	1	2	3	4	5

Question 11

For each of the following item, indicate the number that correspond to your degree of uncertainty with regards to your ability to perform the task described in your capacity as a manager/director/owner of an SME. (Please rate on a 1-5 point scale, where, 1= Completely unsure, 2 = Relatively unsure, 3 = Neither sure nor unsure, 4 =Relatively sure and 5 = Completely sure.)

		Completely unsure	Relatively unsure	Neither sure nor unsure	Relatively sure	Completely sure
11.1	Develop new ideas	1	2	3	4	5
11.2	Perform financial analysis.	1	2	3	4	5
11.3	Set and meet sales goals	1	2	3	4	5
11.4	Conduct market analysis	1	2	3	4	5
11.5	Develop new markets	1	2	3	4	5
11.6	Develop new products or services	1	2	3	4	5
11.7	Reduce risk and uncertainty	1	2	3	4	5
11.8	Conduct strategic planning	1	2	3	4	5
11.9	Establish a competitive position in the market place	1	2	3	4	5
11.10	Establish and achieve goals and objectives	1	2	3	4	5
11.11	Define organisational goals, responsibilities and policies	1	2	3	4	5
11.12	Take calculated risk	1	2	3	4	5
11.13	Develop new methods of production	1	2	3	4	5
11.14	Develop new marketing plans & strategies.	1	2	3	4	5
11.15	Apply new management techniques.	1	2	3	4	5
11.16	Make decisions under risk and uncertainty.	1	2	3	4	5
11.17	Develop a financial system.	1	2	3	4	5
11.18	Develop a quality system	1	2	3	4	5
11.19	Develop internal controls	1	2	3	4	5
11.20	Implement a marketing mix	1	2	3	4	5
11.21	Reducing employee conflict	1	2	3	4	5
11.22	Increasing staff motivation and productivity	1	2	3	4	5
11.23	Implementing a performance and reward system	1	2	3	4	5
11.24	Negotiate with financial institution.	1	2	3	4	5

Question 12
What are your business/personal objectives with regards to the SME that you own/manage? Please rate on a scale from 1 to 5 where 1 = Very important, 2 = Important, 3 = Neither important nor unimportant, 4 = Not important and 5 = Not at all important.

		Very Important	Important	Neither important nor unimportant	Not important	Not at all important
12.1	Increase the profitability of the business.	1	2	3	4	5
12.2	Retain independence as a business owner.	1	2	3	4	5
12.3	Build up a pension fund.	1	2	3	4	5
12.4	Increase leisure time.	1	2	3	4	5
12.5	Increase personal asset base.	1	2	3	4	5
12.6	Improve standard of living.	1	2	3	4	5
12.7	Be recognised as a successful business owner.	1	2	3	4	5
12.8	Increase the size of the business.	1	2	3	4	5
12.9	Invest in labour saving equipment/technology.	1	2	3	4	5
12.10	Repay borrowings.	1	2	3	4	5
12.11	Pass business (or shares) to children.	1	2	3	4	5
12.12	Become the owner of a larger business.	1	2	3	4	5
12.13	Carry on as you are.	1	2	3	4	5
12.14	Not looking for any changes at present.	1	2	3	4	5
12.15	Raise funds for expansion.	1	2	3	4	5
12.16	Expand the management team.	1	2	3	4	5
12.17	Sell all or part of business.	1	2	3	4	5
12.18	Expand by buying another business.	1	2	3	4	5
12.19	Narrow the range of business activities.	1	2	3	4	5
12.20	Find partner to share the business risk.	1	2	3	4	5
12.21	Get a job working for someone else.	1	2	3	4	5

SECTION E: Networking

Question 13

To what extent do you rely on networking (local or international) for the following: (Please rate on a 1-5 point scale, where 1 = To a great extent, 2 = Many, 3 = Neutral, 4 = Some and 5 = Not at all.)

		To a great extent	Many	Neutral	Some	Not at all
13.1	Develop new products.	1	2	3	4	5
13.2	Gathering marketing intelligence.	1	2	3	4	5
13.3	Identify new trends in the market.	1	2	3	4	5
13.4	Monitor competitors in home market.	1	2	3	4	5
13.5	Attract/retain potential customers.	1	2	3	4	5
13.6	Identify potential suppliers.	1	2	3	4	5
13.7	Monitor competitors outside home market.	1	2	3	4	5
13.8	Recruit new employees.	1	2	3	4	5
13.9	Acquire new technology.	1	2	3	4	5

SECTION F: SMEs in Mauritius

Question 14

Using the scale below, please indicate the extent to which you agree or disagree with the following issues facing SMEs in Mauritius. (Please rate on a scale from 1 to 5 where 1= Strongly agree, 2 =Agree, 3 = Neither agree nor disagree, 4 = Disagree and 5 = Strongly disagree.)

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
14.1	There is little to mere formal marketing planning done by SMEs.	1	2	3	4	5
14.2	SMEs' marketing activities are limited to trade fairs & promotion locally and abroad.	1	2	3	4	5
14.3	Marketing planning is considered as an annual budgeting exercise.	1	2	3	4	5
14.4	SMEs have no long term marketing plans for their business.	1	2	3	4	5
14.5	SMEs focus more on price as opposed to other elements of the marketing mix to maintain their competitive advantage.	1	2	3	4	5
14.6	SMEs rely a lot on word of mouth to advertise their product.	1	2	3	4	5
14.7	SMEs have very limited abilities to conduct market research in Mauritius.	1	2	3	4	5
14.8	SMEs have no formal monitoring process for understanding competitors.	1	2	3	4	5
14.9	SMEs focus on product & service quality to retain customers.	1	2	3	4	5
14.10	SMEs spend a lot of time, resources & effort on	1	2	3	4	5

	attracting new customers.					
14.11	SMEs are not innovative in terms of their product lines.	1	2	3	4	5
14.12	SMEs have limited facilities for capital borrowing and access to finance.	1	2	3	4	5
14.13	SMEs measure success of new products in terms of additional sales/ profits it brings to the firm.	1	2	3	4	5
14.14	SMEs rely a lot on networking for product innovation.	1	2	3	4	5
14.15	SMEs rely much on networking to understand changes in customers' needs and preferences.	1	2	3	4	5
14.16	SMEs rely much on networking to identify market opportunities.	1	2	3	4	5
14.17	SMEs have difficulties in competing outside local markets.	1	2	3	4	5
14.18	SMEs must focus on exporting to increase their customer base and production.	1	2	3	4	5
14.19	SMEs are hampered by inflexible labour laws in terms of hiring and firing of employees.	1	2	3	4	5
14.20	SMEs receive adequate support from the various institutions devoted to promote the entrepreneurial culture in Mauritius.	1	2	3	4	5
14.21	SMEs' success is severely limited by the flooding of imported products on the local market.	1	2	3	4	5
14.22	SMEs must have access to preferential rates from services such as electricity, water, and telephone.	1	2	3	4	5
14.23	SMEs do not have adequate access to knowledge on foreign markets gathered by government related institutions.	1	2	3	4	5
14.24	Different support schemes should be created for SMEs in the service sector.	1	2	3	4	5
14.25	The creation of an industrial park with all the necessary infrastructures should be a priority of the government.	1	2	3	4	5
14.26	Bureaucracy involved in setting up of SMEs, access to markets, participation in trade fairs, access to finance, should be reviewed to improve competitiveness.	1	2	3	4	5
14.27	Adequate training facilities that are tailored to specific sectors would boost the performance of SMEs as opposed to generic training programmes.	1	2	3	4	5
14.28	Communication flows between SMEs and the public sector must be improved to facilitate dissemination of information and opportunities available in the market place.	1	2	3	4	5

SECTION G: Overall views of SMEs

15 Overall, how would you rate your firm's market orientation?

□ 1. Very Good
□ 2. Good
□ 3. Neither Good nor Poor
□ 4. Poor
□ 5. Very Poor

16 Overall how would you describe the customer loyalty to your firm?

□ 1. Very High
□ 2. Moderately High
□ 3. Neither High nor Low
□ 4. Moderately Low
□ 5. Very Low

17 Overall, how would you describe customer satisfaction with your products/services?

□ 1. Very Satisfied
□ 2. Moderately Satisfied
□ 3. Neither Satisfied nor dissatisfied
□ 4. Moderately Dissatisfied
□ 5. Very Dissatisfied

18 Overall, how would you describe the marketing competitiveness of your firm?

□ 1. Very Good
□ 2. Good
□ 3. Neither Good nor Poor
□ 4. Poor
□ 5. Very Poor

19 Overall, how would you describe the performance of your firm over the last five years?

□ 1. Very Good
□ 2. Good
□ 3. Neither Good nor Poor
□ 4. Poor
□ 5. Very Poor

20 Overall, how would you describe the strategic orientation of your firm?

□ 1. Very Good
□ 2. Good
□ 3. Neither Good nor Poor
□ 4. Poor
□ 5. Very Poor

21 Overall, how do you perceive the future of SMEs in Mauritius?

□ 1. Very Pessimistic
□ 2. Pessimistic
□ 3. Neither Pessimistic nor Optimistic
□ 4. Optimistic
□ 5. Very Optimistic

SECTION H: Internationalisation

Question 22
On a 1-5 point scale, indicate the degree of importance that you attach as an owner/manager, to the following statements: (Please rate on a scale from 1 to 5 where 1 = Very important, 2= Important, 3 = Neither important nor unimportant, 4 = Not important and 5 = Not at all important.)

		Very important	Important	Neither important nor unimportant	Not important	Not at all important
22.1	Undertaking foreign visits for business.	1	2	3	4	5
22.2	Undertaking foreign holiday.	1	2	3	4	5
22.3	Encouraging foreign visits for key staff within the enterprise.	1	2	3	4	5
22.4	Encouraging language learning by key staff within the enterprise.	1	2	3	4	5
22.5	Paying for language training for key staff within the enterprise.	1	2	3	4	5
22.6	Learning about foreign markets.	1	2	3	4	5
22.7	Knowledge about foreign competitors.	1	2	3	4	5
22.8	Experience of foreign cultures.	1	2	3	4	5
22.9	Developing links with international business networks (formal and informal international contacts)	1	2	3	4	5
22.10	Having a network of foreign friends/colleagues.	1	2	3	4	5
22.11	Encouraging foreign visitors to the enterprise.	1	2	3	4	5

Question 23
Using the scale below, indicate the frequency with which your firm adopts the following international strategies. Where 1 = Very frequently, 2 = Frequently, 3 = Somewhat frequently, 4 = Rarely and 5 = Never.

		Very frequently	Frequently	Somewhat frequently	Rarely	Never
23.1	Importation.	1	2	3	4	5
23.2	Exportation.	1	2	3	4	5
23.3	Subsidiary.	1	2	3	4	5
23.4	Joint Venture.	1	2	3	4	5
23.5	Strategic alliances.	1	2	3	4	5
23.6	Licensing.	1	2	3	4	5
23.7	Franchising.	1	2	3	4	5
23.8	Subcontracting agreement.	1	2	3	4	5

(***If question 23 is not applicable, go to Question 31***)

Question 24
Using the scale below, indicate the degree to which the following motives have driven the company towards the adoption of the strategies mentioned in Question 23. Where 1 = To a great extent, 2 = To some extent, 3 =Moderately, 4 = To a lesser extent, and 5 = Not at all.

		To a great extent	To some extent	Moderately	To a lesser extent	Not at all
24.1	Access to the major hard currencies.	1	2	3	4	5
24.2	Attraction of foreign market.	1	2	3	4	5
24.3	Lack of domestic business.	1	2	3	4	5
24.4	Was approached.	1	2	3	4	5
24.5	Obtain foreign credit.	1	2	3	4	5
24.6	Common language.	1	2	3	4	5
24.7	Geographical proximity.	1	2	3	4	5
24.8	Cultural similarity.	1	2	3	4	5
24.9	Unexpected opportunity.	1	2	3	4	5
24.10	Network opportunity.	1	2	3	4	5
24.11	The type of business.	1	2	3	4	5
24.12	To expand the business.	1	2	3	4	5
24.13	To diversify risk.	1	2	3	4	5
24.14	Lack of raw materials.	1	2	3	4	5
24.15	Cheaper raw materials.	1	2	3	4	5

Question 25

Using a 1-5 point scale, assess the major difficulties you perceive to the internationalisation process in general. (Please rate on a scale from 1 to 5 where 1 = Not a problem, 2 = Slightly a problem, 3 = Fairly a problem, 4 = A problem, and 5 = A major problem)

		Not a problem	Slightly a problem	Fairly a problem	A problem	A major problem
Management, Resources and skills						
25.1	Management commitment and motivation	1	2	3	4	5
25.2	Commitment and motivation of other staff	1	2	3	4	5
25.3	Establishment of clear individual responsibilities	1	2	3	4	5
25.4	Effective management structure	1	2	3	4	5
25.5	Effective cost management systems	1	2	3	4	5
25.6	Establishment of strategic alliances	1	2	3	4	5
25.7	Internal company culture resistant to foreign activity	1	2	3	4	5
25.8	Re-allocation of internal resources (e.g. Sales, marketing administration support)	1	2	3	4	5
25.9	Benchmarking and feedback on international performance	1	2	3	4	5
25.10	Lack of experience and skills	1	2	3	4	5
25.11	Poor language skills	1	2	3	4	5
Capability, capacity & Quality						
25.12	Insufficient production capacity	1	2	3	4	5
25.13	Production issues (resources, flexibility)	1	2	3	4	5
25.14	Product development (new ideas)	1	2	3	4	5
Finances						
25.15	Securing adequate internal financing (through resources, profits etc.)	1	2	3	4	5
25.16	Securing adequate external financing	1	2	3	4	5
25.17	Acceptable increases in costs	1	2	3	4	5
25.18	Access and use of hard currency	1	2	3	4	5
25.19	Payment methods (late payment, currency problems etc.)	1	2	3	4	5
25.20	Earning acceptable margins on overseas activity	1	2	3	4	5
25.21	Hedging against foreign exchange exposure.	1	2	3	4	5
25.22	Lack of government assistance/funding.	1	2	3	4	5
Planning Review						
25.23	Adequacy of strategic planning process	1	2	3	4	5
25.24	Review and feedback of performance, benchmarking.	1	2	3	4	5

Information						
25.25	Use of computers	1	2	3	4	5
25.26	Use of internet	1	2	3	4	5
25.27	Too much information	1	2	3	4	5
25.28	Too little information	1	2	3	4	5
25.29	Don't know where to find the information	1	2	3	4	5
25.30	Information available is of poor or inadequate quality	1	2	3	4	5
The Market						
25.31	Linguistic and cultural barriers	1	2	3	4	5
25.32	Legal difficulties in overseas markets	1	2	3	4	5
25.33	Political difficulties (political stability)	1	2	3	4	5
25.34	Differences in business culture, management style and practice	1	2	3	4	5
25.35	Differences in technical advancement and standards for the product.	1	2	3	4	5
25.36	Problems accessing local infrastructure	1	2	3	4	5
25.37	Adequate knowledge of market size, structure & target sectors	1	2	3	4	5
25.38	Adequate knowledge of potential customers – how many and where they are to be found	1	2	3	4	5
25.39	Appropriateness of pricing policy	1	2	3	4	5
Product & Distribution Channels						
25.40	Knowledge of distribution system	1	2	3	4	5
25.41	Problem with current distribution system	1	2	3	4	5
25.42	Effectiveness of promotional activities (e.g. advertising, direct mail, press releases)	1	2	3	4	5
25.43	Relationship with distributors	1	2	3	4	5
25.44	Relationship with customers	1	2	3	4	5
25.45	Relationship with partners	1	2	3	4	5
25.46	Relationship with sub-contractors	1	2	3	4	5
25.47	After sales/technical support	1	2	3	4	5
25.48	Packaging and labelling	1	2	3	4	5
Others						
25.49	Bureaucracy	1	2	3	4	5
25.50	High Competition	1	2	3	4	5
25.51	Obtaining contracts	1	2	3	4	5

Question 26 Types of information required

On a 5-point scale, indicate how important, each type of information is for a firm, to engage in international activities. (Please rate on a scale from 1 to 5 where 1 = Very important, 2 = important, 3 = Neither important nor unimportant, 4 = Not important and 5 = Not at all important)

		Very important	Important	Neither important nor unimportant	Not important	Not at all important
26.1	Information on local competition in foreign-targeted market.	1	2	3	4	5
26.2	Information on international competition in foreign-targeted market.	1	2	3	4	5
26.3	Price trends in foreign-targeted markets.	1	2	3	4	5
26.4	Information on buyer's preference in the foreign-targeted market.	1	2	3	4	5
26.5	Information on potential barriers to foreign-targeted markets.	1	2	3	4	5
26.6	Information on market growth rate.	1	2	3	4	5
26.7	Information on market size	1	2	3	4	5
26.8	Information on social/political background of foreign-targeted markets.	1	2	3	4	5
26.9	Information on transport infrastructure in foreign-targeted markets.	1	2	3	4	5
26.10	Information on economics background of foreign -targeted market.	1	2	3	4	5
26.11	Information on possible means of distribution/store in market.	1	2	3	4	5
26.12	Information on Exchange rate fluctuations.	1	2	3	4	5
26.13	Information on Legal requirements in foreign-targeted markets.	1	2	3	4	5
26.14	Information guide to promoting into foreign-targeted market.	1	2	3	4	5
26.15	Ways to adapt current production for foreign-targeted market.	1	2	3	4	5
26.16	Government aid to SMEs targeting foreign markets.	1	2	3	4	5

Question 27

Apart from having specific knowledge about particular markets, there is a whole range of other issues and risks, which is important for SMEs' international success. Using a 5-point scale, indicate your views on the extent and quality of information available on the following issues and risks. Whereby 1 = Excellent, 2 = Above average, 3 = Average, 4 = Below average and 5 = Extremely poor.

		Excellent	Above average	Average	Below average	Extremely poor
27.1	Financial risks	1	2	3	4	5
27.2	Economic and Political conditions	1	2	3	4	5
27.3	Transfer risks.	1	2	3	4	5
27.4	Buyer behaviour.	1	2	3	4	5
27.5	Exchange rate fluctuation.	1	2	3	4	5
27.6	Forward Exchange contracts.	1	2	3	4	5
27.7	Support from the Government.	1	2	3	4	5

Question 28

Using a 5-point scale, indicate the level of usefulness of information from each source below. Whereby 1 = Not useful, 2 = Slightly useful, 3 = Fairly useful, 4 = Much useful and 5 = Very useful.

		Not useful	Slightly useful	Fairly useful	Much useful	Very useful
28.1	Your own market research team.	1	2	3	4	5
28.2	Business networks.	1	2	3	4	5
28.3	Informal networks (friends etc.)	1	2	3	4	5
28.4	Agent overseas	1	2	3	4	5
28.5	Agents in Mauritius.	1	2	3	4	5
28.6	Business advisers.	1	2	3	4	5
28.7	Chamber of commerce.	1	2	3	4	5
28.8	Trade associations.	1	2	3	4	5
28.9	Market research agency	1	2	3	4	5
28.10	Commercial Banks	1	2	3	4	5
28.11	DBM (Development Bank of Mauritius)	1	2	3	4	5
28.12	SEHDA (Small Enterprises and Handicraft Development Authority) (If interviewee is not aware of the SEHDA, then skip 28.12 and go to 28.12A and 28.12B)	1	2	3	4	5
28.12A	SMIDO (Small and Medium Industries Development Organisation)	1	2	3	4	5
28.12B	NHPA (The National Handicraft Promotion Agency)	1	2	3	4	5
28.13	Enterprise Mauritius *(If interviewee is not aware of Enterprise Mauritius, then skip*	1	2	3	4	5

	28.13 and go to 28.13A)					
28.13A	MIDA *(Mauritius Industrial Development Authority)*	1	2	3	4	5
28.14	MTPA *(Mauritius Tourism Promotion Authority)*	1	2	3	4	5
28.15	Ministry of Small and Medium Enterprises, Commerce and Cooperatives.	1	2	3	4	5
28.16	Financial Services Commission	1	2	3	4	5

Question 29

Identify the degree with which your company carries out the following: (Please rate on a scale from 1 to 5, where 1 = Extensively, 2 = Much, 3 =Moderate, 4= Little and 5 = Not at all.)

		Extensively	**Much**	**Moderate**	**Little**	**Not at all**
Cautious internationalization strategy						
29.1	The degree to which the firm has chosen to focus on a few international markets.	1	2	3	4	5
29.2	The degree to which the firm intends to focus on building long-term close relationships with a limited number of foreign customers.	1	2	3	4	5
29.3	The degree to which the firm prefers to develop its international activities one step at a time.	1	2	3	4	5
Partnership strategy with dominant partner						
29.4	The degree with which the firm is actively searching for one major partner in order to strengthen its capital base.	1	2	3	4	5
29.5	The degree to which licensing will be an important factor in the development of the firm's international activities.	1	2	3	4	5
29.6	The degree to which brand agreements will be an important factor in the development of the firm's international activities.	1	2	3	4	5
29.7	The degree to which the firm is actively searching for one large market partner in order to gain access to key customers in international markets.	1	2	3	4	5
Alliance strategy with equal partner						
29.8	The degree to which the firm is actively looking for an equal partner in order to be equipped to face global market challenges.	1	2	3	4	5
29.9	The degree to which alliances with international partners is a central part of the firm's strategy.	1	2	3	4	5
29.10	The degree to which the firm is seeking to engage in strategic alliances with international partners, in order to	1	2	3	4	5

	complement its competencies.					
Niche strategy in international markets						
29.11	The degree to which the firm is actively seeking to develop market niches in the next coming years.	1	2	3	4	5
29.12	The degree to which the firm will establish itself in selected markets with the intention to sell its products to a well defined customer group.	1	2	3	4	5
29.13	The degree to which the firm's main focus is to further develop its position in current niches in international markets.	1	2	3	4	5
New business development strategy						
29.14	The degree to which the main focus of the firm, in the next coming years, is to expand its product portfolio.	1	2	3	4	5
29.15	The degree to which the firm is actively seeking new products within new technologies.	1	2	3	4	5

Question 30

Using the following measures, how would you describe the performance of your firm in overseas markets? (Please rate on a scale from 1 to 5, where 1 = Very Good, 2 = Good, 3 =Barely acceptable, 4 =Poor and 5 =Very poor.

		Very good	**Good**	**Barely acceptable**	**Poor**	**Very poor**
30.1	The level of profit.	1	2	3	4	5
30.2	Sales Volume.	1	2	3	4	5
30.3	Growth.	1	2	3	4	5
30.4	Performance in general	1	2	3	4	5

Question 31

Using the scale below, indicate the degree to which the following have driven the company towards the rejection of international strategies. Where 1 = To a great extent, 2 = To some extent, 3 = Moderately, 4 = To a lesser extent, and 5 = Not at all.

		To a great extent	To some extent	Moderately	To a lesser extent	Not at all
31.1	Implementing international strategies is too expensive	1	2	3	4	5
31.2	You prefer to concentrate on local markets.	1	2	3	4	5
31.3	There is no need to expand because the company is big enough.	1	2	3	4	5
31.4	The company is not big enough.	1	2	3	4	5
31.5	Freight cost is a major problem.	1	2	3	4	5
31.6	No plans for expansion.	1	2	3	4	5
31.7	Lack of time.	1	2	3	4	5
31.8	Lack of knowledge about overseas market.	1	2	3	4	5
31.9	Going international is too risky.	1	2	3	4	5
31.10	The nature of the business.	1	2	3	4	5
31.11	Too much competition abroad.	1	2	3	4	5
31.12	The company is not ready to go international.	1	2	3	4	5

SECTION I: Demographics

1. Gender.
 - ☐ 1. Male ☐ 2. Female

2. Age.
- ☐ 1. Under 20 years.
- ☐ 2. 20-30 years.
- ☐ 3. 31-40 years.
- ☐ 4. 41-50 years.
- ☐ 5. 51-60 years.
- ☐ 6. Over 60 years.

3. Level of education completed
- ☐ 1. Primary level.
- ☐ 2. Secondary level .
- ☐ 3. Diploma.
- ☐ 4. Bachelor degree.
- ☐ 5. Master degree
- ☐ 6. Others (Please specify)

4. Ethnic group.
- ☐ 1. Hindu.
- ☐ 2. Chinese.
- ☐ 3. General population
- ☐ 4. Muslim.
- ☐ 5. Others (Please specify)

5. Job title.
- ☐ 1. Owner/director
- ☐ 2. Manager
- ☐ 3. Marketing manager
- ☐ 4. Others (Please specify)

6. Number of years working for the company.
- ☐ 1. 1-3 years
- ☐ 2. 4-6 years
- ☐ 3. 7-9 years
- ☐ 4. 10-12 years
- ☐ 5. 13-15 years
- ☐ 6. More than15 years

7. Type of industry:
- ☐ 1. Food & Beverage
- ☐ 2. Leather & Garments
- ☐ 3. Wood & Furniture
- ☐ 4. Paper Products & Printing
- ☐ 5. Chemical, Rubber & Plastic
- ☐ 6. Jewellery & related items/Potter& Ceramic
- ☐ 7. Fabricated Metal Products.
- ☐ 8. Hotels.
- ☐ 9. Financial/ICT sector.
- ☐ 10. Others (Please specify)

8. Company age.
- ☐ 1. 1-3 years
- ☐ 2. 4-6 years
- ☐ 3. 7-9 years
- ☐ 4. 10-12 years
- ☐ 5. 13-15 years
- ☐ 6. More than 15 years

9. Company Size (Number of employees):
- ☐ 1. 0-9 employees
- ☐ 2. 10-49 employees
- ☐ 3. More than 50 employees

10. Organisational form:
- ☐ 1. Sole proprietor.
- ☐ 2. Partnership.
- ☐ 3. Limited company
- ☐ 4. Other (Please specify)

11. A Approximate gross revenue in Rupees: ____________________

B Approximate export sales in Rupees: ____________________

THANK YOU!

Name of interviewee: ………………………….

Phone Number: …………………………………

Fax Number: ………………………………………

Date: …………………………………………………

Interviewee's signature: …………..…………………………..

Questionnaire No

Bonjour, je m'appelle _____________________ . Merci de me recevoir pour le sondage que nous faisons sur le type de marketing que les PMEs font et sur l'impact que la mondialisation a eu sur elles.

Le temps nécessaire pour remplir le présent questionnaire est d'environ 45 minutes. Soyez assurés que les informations divulguées durant cette interview resteront confidentielles. Veuillez s'il vous plait répondre à chaque question en toute honnêteté.

SECTION A : Les fondements du marketing.

Question 1

En utilisant l'échelle de critères ci-dessous, indiquez le degré d'importance que les petites et moyennes entreprises mauriciennes accordent aux compétences marketing suivantes, où 1= Très important, 2 = Important, 3 = Neutre, 4 = Peu important et 5 = Pas important du tout.

		Très important	Important	Neutre	Peu important	Pas important du tout
1.1	Avoir une connaissance à propos des clients qui font partie du marché que vous visez.	1	2	3	4	5
1.2	Connaître les tendances du marché.	1	2	3	4	5
1.3	Avoir une connaissance de vos avantages concurrentiels.	1	2	3	4	5
1.4	Avoir une connaissance de vos faiblesses par rapport à la concurrence.	1	2	3	4	5
1.5	La disponibilité d'information exacte dans la prise de décision.	1	2	3	4	5
1.6	Une exacte prévision des ventes.	1	2	3	4	5
1.7	Le développement du plan marketing.	1	2	3	4	5
1.8	La segmentation du marché dans le but d'identifier plusieurs groupes distincts d'acheteurs.	1	2	3	4	5
1.9	Le développement de nouveaux produits/services.	1	2	3	4	5
1.10	Laisser tomber les produits ou les services qui sont obsolètes.	1	2	3	4	5
1.11	Améliorer la qualité de vos produits/services.	1	2	3	4	5
1.12	Une publicité/ promotion efficace.	1	2	3	4	5
1.13	Gérer toutes les actions ayant pour but d'améliorer l'image de vos produits/services à travers des activités de relations publiques.	1	2	3	4	5

1.14	Gérer l'image que le marché a de la compagnie, ainsi que la réputation de l'entreprise.	1	2	3	4	5
1.15	Atteindre les barèmes de ventes fixés.	1	2	3	4	5
1.16	Créer un climat de confiance avec les clients.	1	2	3	4	5
1.17	Tenir toutes les promesses faites aux clients.	1	2	3	4	5
1.18	Créer un climat de confiance avec les fournisseurs.	1	2	3	4	5
1.19	Créer un climat de confiance avec les banques.	1	2	3	4	5
1.20	Evaluer les résultats et les comparer aux objectifs fixés.	1	2	3	4	5
1.21	Donner des facilités de paiements aux clients.	1	2	3	4	5
1.22	Utiliser des moyens efficaces pour fixer les prix.	1	2	3	4	5
1.23	Créer un climat de confiance avec le gouvernement.	1	2	3	4	5
1.24	Restreindre efficacement les coûts/dépenses.	1	2	3	4	5
1.25	Evaluer la qualité de la production.	1	2	3	4	5
1.26	Contrôler les matières premières et les fournitures.	1	2	3	4	5
1.27	Contrôler la proportion de ses propres fonds par rapport aux capitaux d'emprunt.	1	2	3	4	5
1.28	Utiliser des technologies de pointe en marketing.	1	2	3	4	5
1.29	La disponibilité d'un fond de roulement.	1	2	3	4	5
1.30	Etablir des objectifs par rapport à la part de marché.	1	2	3	4	5
1.31	Etablir des objectifs rentables.	1	2	3	4	5
1.32	Déterminer les marchés cibles.	1	2	3	4	5
1.33	Etablir les différentes caractéristiques que votre marque offre dans les divers marchés cibles.	1	2	3	4	5
1.34	Décider du positionnement de la marque.	1	2	3	4	5
1.35	Déterminer les stratégies liées au marketing mix.	1	2	3	4	5

Question 2

En utilisant l'échelle de critères ci-dessous, indiquez jusqu'à quel point les déclarations suivantes sont en accord/conformité avec votre philosophie d'entreprise. Où, 1 = Tout à fait d'accord, 2 = D'accord, 3 = Ni d'accord ni pas d'accord, 4 = Pas d'accord et 5 = Pas du tout d'accord.

		Tout à fait d'accord	**D'accord**	**Ni d'accord ni pas d'accord**	**Pas d'accord**	**Pas du tout d'accord**
Une orientation centrée sur le client						
2.1	Nous encourageons les clients à nous faire part de leurs commentaires et de leurs doléances car cela nous aident à nous améliorer.	1	2	3	4	5
2.2	Le service après-vente est une partie importante dans la stratégie de notre entreprise.	1	2	3	4	5
2.3	Nous avons un devoir envers nos clients.	1	2	3	4	5
2.4	Nous sommes toujours à la recherche de nouvelles façons d'ajouter de la valeur à nos produits.	1	2	3	4	5
2.5	Nous évaluons la satisfaction de nos clients de manière régulière.	1	2	3	4	5
2.6	Notre compagnie serait dans une meilleure posture si l'équipe de vente travaillait un peu plus.	1	2	3	4	5
2.7	Le marketing a pour rôle essentiel dans notre compagnie de nous aider à identifier et à satisfaire les besoins du client.	1	2	3	4	5
2.8	Chez nous la qualité est définie par le degré de satisfaction de nos clients pour nos produits/services.	1	2	3	4	5
Une orientation centrée sur les concurrents						
2.9	Nous surveillons régulièrement les activités de marketing de nos concurrents.	1	2	3	4	5
2.10	Nous recueillons de façon fréquente des informations de marketing sur nos concurrents pour nous aider dans notre préparation des plans de marketing.	1	2	3	4	5
2.11	Ceux qui s'occupent de la vente doivent surveiller et rapporter les activités de nos concurrents.	1	2	3	4	5
2.12	Nous réagissons rapidement aux actions de nos concurrents.	1	2	3	4	5
2.13	Entant que membres du top management, nous discutons souvent des activités de nos concurrents.	1	2	3	4	5
2.14	Nous examinons les opportunités basées sur les avantages concurrentiels.	1	2	3	4	5

Une coordination de tous les services/départements						
2.15	Dans notre compagnie, les personnes en charge du marketing apportent une grande contribution dans le développement de nouveaux produits/services.	1	2	3	4	5
2.16	Les informations de marketing sont souvent disséminées dans tous les départements.	1	2	3	4	5
2.17	Tous les départements participent à la préparation du business plan, ainsi qu'aux stratégies de la compagnie.	1	2	3	4	5
2.18	Nous faisons un bon travail en intégrant les activités de tous les départements de la compagnie.	1	2	3	4	5
2.19	Ceux qui s'occupent du marketing rencontrent régulièrement les employés des autres départements et cela formellement.	1	2	3	4	5
2.20	Le marketing est perçu comme primordial dans toute la compagnie.	1	2	3	4	5
Une orientation centrée sur le profit.						
2.21	Notre système de gestion intégré peut facilement évaluer la rentabilité/profitabilité de nos gros clients.	1	2	3	4	5
2.22	Notre système de gestion intégré peut facilement évaluer la profitabilité de nos gammes de produits.	1	2	3	4	5
2.23	Notre système de gestion intégré peut facilement évaluer la profitabilité de nos points de vente.	1	2	3	4	5
2.24	Notre système de gestion intégré peut facilement évaluer la profitabilité de nos circuits de distribution.	1	2	3	4	5
La production d'information.						
2.25	Tous les employés qui sont au contact direct avec le client interagissent avec ces derniers pour voir comment nous pouvons mieux les servir.	1	2	3	4	5
2.26	Nous faisons beaucoup de recherche en marketing pour évaluer comment les clients perçoivent nos produits/services.	1	2	3	4	5
2.27	Nous sommes assez lents à détecter les changements par rapport aux préférences de nos clients.	1	2	3	4	5

2.28	Nous recueillons les informations associées à l'industrie de façon informelle.	1	2	3	4	5
2.29	Nous faisons régulièrement une revue de tous les effets possibles dus aux changements survenant dans l'environnement de l'entreprise. (Des changements dans les taux d'intérêts, la législation, etc.)	1	2	3	4	5
La dissémination d'information						
2.30	Nous avons régulièrement des rencontres interdépartementales pour discuter des tendances et des développements du marché.	1	2	3	4	5
2.31	Ceux qui s'occupent du marketing discutent régulièrement avec les autres départements des besoins du client.	1	2	3	4	5
2.32	Les informations concernant la satisfaction du client sont régulièrement disséminées dans tous les départements.	1	2	3	4	5
2.33	Il existe très peu de communication entre le département marketing et les autres en ce qui concerne les développements surgissant dans le marché.	1	2	3	4	5
2.34	Lorsqu'un département détient une information à propos d'un concurrent, il tarde souvent à faire passer cette information aux autres départements.	1	2	3	4	5
La prise de décisions en réaction à …						
2.35	Nous prenons beaucoup de temps avant de décider de la marche à suivre face à un changement dans les prix de nos concurrents.	1	2	3	4	5
2.36	D'une certaine façon, nous avons tendance à ignorer les changements dans les besoins de nos clients par rapport à nos produits/services.	1	2	3	4	5
2.37	Nous vérifions de façon régulière que la mise au point de nos produits/services est en conformité avec les besoins du clients.	1	2	3	4	5
2.38	Les activités de l'entreprise sont plus poussées par les avancées technologiques que par les études de marché.	1	2	3	4	5
2.39	Les produits/services que nous vendons sont plus le fruit d'une politique interne que d'un besoin provenant du marché.	1	2	3	4	5

La réceptivité de l'entreprise						
2.40	Nous réagirons tout de suite, si un concurrent introduit un programme visant à cibler nos clients.	1	2	3	4	5
2.41	Les activités de nos départements sont bien coordonnées.	1	2	3	4	5
2.42	Dans cette entreprise, nous ne faisons pas attention aux plaintes du client.	1	2	3	4	5
2.43	Nous réagissons vite lorsque nos concurrents font/apportent de gros changements au niveau de leurs prix.	1	2	3	4	5
2.44	Si nous nous apercevons que les clients ne sont pas satisfaits avec la qualité de nos produits/services, nous prenons tout de suite des mesures correctives.	1	2	3	4	5
Les questions liées à la gestion de la marque.						
2.45	Nous investissons massivement dans la gestion et la promotion de notre service de marque.	1	2	3	4	5
2.46	Nous investissons massivement dans la gestion et la promotion de la réputation/l'image de notre compagnie.	1	2	3	4	5
2.47	Nous investissons massivement dans des programmes de fidélité aux clients./fidélisation du client	1	2	3	4	5
2.48	Nous investissons massivement dans la recherche pour comprendre la perception interne par rapport à nos marques (la perception du personnel de front, les fournisseurs de services essentiels, l'équipe de gestion).	1	2	3	4	5
2.49	Nous investissons massivement dans la recherche pour comprendre la perception externe par rapport à nos marques (la perception du client, des intermédiaires, des fournisseurs.)	1	2	3	4	5

Question 3
En utilisant l'échelle de critères, de 1 à 5, où, 1 = Tout à fait d'accord, 2 = D'accord, 3 = Ni d'accord ni pas d'accord, 4 = Pas d'accord et 5 = Pas du tout d'accord, indiquez jusqu'à quel point vous êtes d'accord, avec les déclarations suivantes.

		Tout à fait d'accord	**D'accord**	**Ni d'accord ni pas d'accord**	**Pas d'accord**	**Pas du tout d'accord**
3.1	La clé du succès en ce qui concerne l'entreprise est d'offrir des produits et des services de qualité à un prix raisonnable. Les bons produits et les bons services se vendent par eux même. Si possible, les produits et les services doivent être uniformisés pour baisser le coût.	1	2	3	4	5
3.2	La clé de la réussite dans l'entreprise est de développer des produits qui sont de très bonne qualité, performants et novateurs. L'entreprise se concentre sur la production de produits/services supérieurs et continue à les améliorer au fûr et à mesure.	1	2	3	4	5
3.3	La clé du succès dans l'entreprise est de persuader des nouveaux clients à acheter nos produits/services tout cela à travers la publicité, les ventes personnelles, ou par d'autres moyens.	1	2	3	4	5
3.4	La clé de la réussite dans l'entreprise est d'intégrer toutes les activités de la compagnie ainsi que le personnel vers la satisfaction du client, tout en procurant une profitabilité satisfaisante à la compagnie.	1	2	3	4	5
3.5	La clé de la réussite repose sur la satisfaction des parties prenantes de la compagnie. Ces parties représentent les clients, les employés, les actionnaires, les agences gouvernementaux, les fournisseurs et le grand public. Nous devons prendre en considération leurs intérêts quand nous sommes amenés à prendre des décisions.	1	2	3	4	5
3.6	La clé de la réussite de l'entreprise est de développer une relation de longue durée avec les clients les plus estimés. L'entreprise doit attirer et retenir les clients qui sont les plus profitables en adaptant les produits/services à leur besoins.	1	2	3	4	5

SECTION B: La compétitivité sur le marché

Question 4

Quel impact est ce que la globalisation a eu sur les points ci-dessous, dans votre entreprise. Ou l'échelle de critères est, 1 = Un très grand impact, 2 = Un grand impact, 3 = Un impact moyen, 4 = Un faible impact et 5 =Un très faible impact.

		Un très grand impact	Un grand impact	Un impact moyen	Un faible impact	Un très faible impact
4.1	Les prix compétitifs de vos produits/services.	1	2	3	4	5
4.2	La qualité de votre produit.	1	2	3	4	5
4.3	La rapidité à laquelle vous répondez aux besoins du client.	1	2	3	4	5
4.4	L'image de marque de votre compagnie.	1	2	3	4	5
4.5	Les ventes personnelles.	1	2	3	4	5
4.6	La gamme de produits.	1	2	3	4	5
4.7	Le contact avec les fournisseurs.	1	2	3	4	5
4.8	La couverture de distribution.	1	2	3	4	5
4.9	La recherche en marketing.	1	2	3	4	5
4.10	La performance de vos produits/services.	1	2	3	4	5
4.11	Un avantage par rapport aux coûts.	1	2	3	4	5
4.12	Le service après-vente.	1	2	3	4	5
4.13	La publicité.	1	2	3	4	5
4.14	Les autres types de promotions.	1	2	3	4	5
4.15	L'élaboration du produit.	1	2	3	4	5
4.16	Le recueil d'information concernant le marketing.	1	2	3	4	5
4.17	L'empaquetage / L'emballage.	1	2	3	4	5
4.18	Attirer et retenir les clients.	1	2	3	4	5
4.19	La planification du marketing.	1	2	3	4	5

Question 5
En vous basant sur les répercussions que la mondialisation a eues sur votre compagnie, décrivez les stratégies d'ajustements que vous avez mis au point suite à cela. Où, 1 = Tout à fait d'accord, 2 = D'accord, 3 = Ni d'accord ni pas d'accord, 4 = Pas d'accord, 5 = Pas du tout d'accord.

L'adaptation à l'environnement						
		Tout à fait d'accord	**D'accord**	**Ni d'accord ni pas d'accord**	**Pas d'accord**	**Pas du tout d'accord**
5.1	Vous avez dû mettre plus d'accent sur la marge de profit.	1	2	3	4	5
5.2	Vous avez dû faire des ajustements fréquents des prix.	1	2	3	4	5
5.3	Vous avez eu à fournir un service additionnel pour justifier la hausse dans les prix.	1	2	3	4	5
5.4	Vous avez dû établir un prix compétitif pour garder les clients.	1	2	3	4	5
5.5	Il a fallu que vous augmentiez le volume des ventes.	1	2	3	4	5
5.6	Cela vous a permis de tirer avantages des opportunités qu'offrent les nouveaux marchés.	1	2	3	4	5
5.7	Vous avez été forcé de rester au-dessus des nouveaux concurrents.	1	2	3	4	5
5.8	Vous avez dû offrir des produits à faible rendement dans le but de satisfaire les clients.	1	2	3	4	5
5.9	Vous avez été obligé d'investir plus dans la technologie.	1	2	3	4	5
5.10	Vous avez eu à réduire les lignes de produits.	1	2	3	4	5
5.11	Il a fallu introduire de nouveaux produits.	1	2	3	4	5
5.12	Il a fallu augmenter l'étude de marché.	1	2	3	4	5
5.13	Il a fallu offrir des remises aux clients pour écouler les produits qui n'ont pas trop la cote.	1	2	3	4	5
5.14	Il a fallu augmenter les activités promotionnelles.	1	2	3	4	5
5.15	Vous avez dû élargir la responsabilité de l'équipe de vente.	1	2	3	4	5
5.16	Il a fallu réexaminer les circuits de distribution.	1	2	3	4	5
5.17	Vous avez été obligés de réduire l'équipe de vente.	1	2	3	4	5
5.18	Vous avez été obligés d'opérer des changements dans la planification du marketing.	1	2	3	4	5

Question 6
En utilisant l'échelle de critères ci-dessous et prenant en considération la nature dynamique de l'environnement dans lequel évoluent les PME, jusqu'à quel point pensez-vous que l'adaptation est un critère nécessaire dans la croissance future de votre compagnie. Où 1 = Une adaptation extensive, 2 = Beaucoup d'adaptation, 3 = Une adaptation modérée, 4 = Une adaptation minime et 5 = Pas d'adaptation du tout.

		Une adaptation extensive	**Beaucoup d'adaptation**	**Une adaptation modérée**	**Une adaptation minime**	**Pas d'adaptation du tout**
6.1	Le nom de la marque du produit/service.	1	2	3	4	5
6.2	L'élaboration du produit/service.	1	2	3	4	5
6.3	L'étiquetage lié au produit/service.	1	2	3	4	5
6.4	La qualité du produit/service.	1	2	3	4	5
6.5	La garantie liée au produit/service.	1	2	3	4	5
6.6	Le thème de la campagne publicitaire.	1	2	3	4	5
6.7	Les médias pour la publicité.	1	2	3	4	5
6.8	Les objectifs de la promotion.	1	2	3	4	5
6.9	Le budget concernant la promotion.	1	2	3	4	5
6.10	L'emphase sur les relations publiques.	1	2	3	4	5
6.11	Le marketing direct/mailing.	1	2	3	4	5
6.12	La stratégie liée au prix.	1	2	3	4	5
6.13	L'allocation de crédit.	1	2	3	4	5
6.14	La politique concernant les escomptes.	1	2	3	4	5
6.15	Les marges.	1	2	3	4	5
6.16	La relation prix-qualité.	1	2	3	4	5
6.17	Les critères de sélection pour les systèmes de distribution.	1	2	3	4	5
6.18	La stratégie par rapport au transport.	1	2	3	4	5
6.19	Le budget concernant la distribution.	1	2	3	4	5
6.20	Les réseaux de distribution.	1	2	3	4	5
6.21	Respecter les délais de livraison.	1	2	3	4	5
6.22	La clientèle.	1	2	3	4	5
6.23	Les méthodes de production.	1	2	3	4	5
6.24	Le degré de sous-traitance.	1	2	3	4	5
6.25	L'introduction de nouvelles technologies.	1	2	3	4	5
6.26	Augmenter la productivité.	1	2	3	4	5
6.27	L'approche concernant la gestion de l'entreprise.	1	2	3	4	5

6.28	La formation et le développement des compétences des employés.	1	2	3	4	5
6.29	Les embauches et les licenciements des employés.	1	2	3	4	5
6.30	Un système d'évaluation pour récompenser les employés en fonction de leur performance.	1	2	3	4	5

Question 7 La performance de la compagnie.

En comparaison avec vos concurrents, comment décririez-vous votre performance par rapport aux mesures suivantes durant les cinq dernières années. Veuillez utiliser l'échelle de critères où,

1 = Notre compagnie a démontré une bonne performance dans cet indicateur en comparaison avec nos principaux concurrents.

2 = Notre compagnie a démontré une assez bonne performance dans cet indicateur en comparaison avec nos principaux concurrents.

3 = Notre compagnie n'a démontré ni une bonne ni une mauvaise performance dans cet indicateur en comparaison avec nos principaux concurrents.

4 = Notre compagnie a démontré une assez mauvaise performance dans cet indicateur en comparaison avec nos principaux concurrents.

5 = Notre compagnie a démontré une mauvaise performance dans cet indicateur en comparaison avec nos principaux concurrents.

		Une bonne performance	Une assez bonne performance	Ni une bonne ni une mauvaise performance	Une assez mauvaise performance	Une mauvaise performance
7.1	Le profit.	1	2	3	4	5
7.2	Le volume des ventes.	1	2	3	4	5
7.3	La part de marché.	1	2	3	4	5
7.4	Le retour sur investissement.	1	2	3	4	5
7.5	Le cash flow.	1	2	3	4	5
7.6	La satisfaction du client.	1	2	3	4	5
7.7	La fidélisation du client.	1	2	3	4	5
7.8	La notoriété/renommée de la marque.	1	2	3	4	5

SECTION C: Une Orientation Stratégique.

Question 8
En tant que propriétaire/gestionnaire d'une PME, indiquez jusqu'à quel point les déclarations suivantes sont en accord/conformité avec la stratégie générale de votre compagnie. L'échelle de critères se situe entre 1 et 5, où 1 = Tout à fait d'accord, 2 = D'accord, 3 = Ni d'accord ni pas d'accord, 4 = Pas d'accord et 5 = Pas du tout d'accord.

		Tout à fait d'accord	D'accord	Ni d'accord ni pas d'accord	Pas d'accord	Pas du tout d'accord
Une stratégie d'agressivité						
8.1	Nous sacrifions souvent la profitabilité dans le but d'augmenter notre part de marché.	1	2	3	4	5
8.2	Nous baissons souvent les prix dans le but d'augmenter notre part de marché.	1	2	3	4	5
8.3	Nous fixons souvent les prix en dessous de ceux fixés par nos concurrents.	1	2	3	4	5
8.4	Nous cherchons souvent une meilleure part de marché au détriment du 'cash flow' et de la profitabilité.	1	2	3	4	5
L'analyse						
8.5	Nous mettons l'emphase sur une coordination efficace parmis les divers départements de l'entreprise.	1	2	3	4	5
8.6	Notre système d'information nous aide dans la prise de décision.	1	2	3	4	5
8.7	Habituellement lorsque nous sommes appelés à prendre une décision importante, nous le faisons par l'intermédiaire d'une analyse.	1	2	3	4	5
8.8	Nous utilisons plusieurs techniques en ce qui concerne la planification du marché.	1	2	3	4	5
8.9	Nous utilisons les résultats provenant de notre système de gestion informatique ainsi que de notre système de contrôle.	1	2	3	4	5
8.10	Nous faisons ordinairement une planification de l'utilisation des ressources humaines et nous utilisons un système d'évaluation de la performance des employés.	1	2	3	4	5
Une stratégie de défense						
8.11	De temps en temps, nous effectuons un changement conséquent au niveau de la technologie utilisée pour la production.	1	2	3	4	5
8.12	Nous utilisons souvent un système de contrôle pour la gestion des coûts, afin de contrôler la performance.	1	2	3	4	5
8.13	Nous utilisons souvent des techniques de gestion de la production.	1	2	3	4	5

8.14	Nous mettons souvent l'emphase sur la qualité de notre produit à travers des cercles de qualité.	1	2	3	4	5
Une stratégie concernant l'avenir						
8.15	Nous mettons l'emphase sur la recherche de base pour avoir un avantage concurrentiel dans le futur.	1	2	3	4	5
8.16	Nous effectuons fréquemment des prévisions concernant les indicateurs clés de nos opérations.	1	2	3	4	5
8.17	Nous effectuons fréquemment un suivi formel des tendances générales.	1	2	3	4	5
8.18	Nous effectuons fréquemment des analyses de cas hypothétiques lorsque les enjeux sont importants.	1	2	3	4	5
Une stratégie proactive						
8.19	Nous sommes à la recherche constante de nouvelles opportunités liées à nos activités actuelles.	1	2	3	4	5
8.20	Nous sommes habituellement les premiers à introduire de nouvelles marques ou de nouveaux produits sur le marché.	1	2	3	4	5
8.21	Nous sommes constamment à l'affut des opportunités d'acquisition d'entreprises.	1	2	3	4	5
8.22	Dans un but stratégique, nous éliminons les opérations liées à la phase de déclin du cycle de vie de notre produit.	1	2	3	4	5
8.23	Nous croyons fermement qu'un changement dans le marché va créer une opportunité proactive dont nous allons pouvoir prendre avantage.	1	2	3	4	5
8.24	L'entreprise surveille de façon continue les tendances du marché, identifie les besoins futurs des clients et/ou anticipe les conditions des demandes futures.	1	2	3	4	5
8.25	L'entreprise introduit de façon efficace de nouveaux produits ainsi que de nouvelles technologies bien avant les concurrents.	1	2	3	4	5
8.26	L'entreprise recherche de façon continue de nouveaux produits ou services.	1	2	3	4	5
Une stratégie d'agressivité face à la concurrence.						
8.27	La compagnie améliore sa compétitivité par rapport à celle de ses concurrents en pénétrant les marchés avec des prix radicalement bas, en imitant les pratiques ou les techniques de ses concurrents prospères.	1	2	3	4	5

8.28	La compagnie sait quand elle court le risque d'agir de manière trop aggressive et comment l'éviter, évitant ainsi d'entâcher sa réputation et de provoquer un désir de revanche de ses concurrents.	1	2	3	4	5
Savoir prendre des risques.						
8.29	Nous adoptons une approche très prudente lorsque nous sommes amenés à prendre des décisions importantes.	1	2	3	4	5
8.30	Les nouveaux projets sont approuvés étape par étape et non d'un seul coup.	1	2	3	4	5
8.31	Nous avons tendance à avaliser les projets sur lesquels nous attendons des bénéfices certains.	1	2	3	4	5
8.32	Nous effectuons généralement des opérations qui ont déjà fait leurs preuves.	1	2	3	4	5
8.33	Nous allons de l'avant avec les plans seulement si nous sommes sûrs qu'ils vont marcher.	1	2	3	4	5
8.34	L'entreprise adopte et encourage un niveau convenable de prise de risque sur les plans du business, financier et personnel.	1	2	3	4	5
8.35	L'entreprise améliore sa compétitivité en faisant de la recherche et en évaluant les risques d'échecs dans le but de diminuer le niveau d'incertitude.	1	2	3	4	5
8.36	L'entreprise améliore sa position par rapport à celui de ses concurrents en utilisant des techniques et des méthodes qui ont déjà fait leurs preuves dans d'autres domaines.	1	2	3	4	5
L'innovation						
8.37	Lorsque nous sommes appelés à résoudre des problèmes, nous privilégions les solutions nouvelles et créatives aux solutions plus communément admises.	1	2	3	4	5
8.38	Notre société encourage et stimule le marché des biens technologiques et l'innovation administrative.	1	2	3	4	5
8.39	L'entreprise investit de façon appropriée dans la nouvelle technologie, la recherche et le développement, ainsi que dans l'investissement continu.	1	2	3	4	5
8.40	Les initiatives novatrices de la compagnie ne peuvent être copiées facilement par la concurrence.	1	2	3	4	5

La formalisation						
8.41	Je sens que je suis mon propre chef dans presque tous les domaines.	1	2	3	4	5
8.42	Un employé peut prendre une décision sans en aviser qui que ce soit.	1	2	3	4	5
8.43	On vérifie constamment que les employés n'enfreignent aucun règlement.	1	2	3	4	5
L'autonomie						
8.44	Nous envisageons de développer des unités indépendantes pour encourager la pensée créatrice.	1	2	3	4	5
8.45	Nous coordonnons les activités dans tous les départements pour minimiser les pertes d'efficacité et la répétition d'efforts inutiles.	1	2	3	4	5
8.46	Nous maintenons une balance entre la patience et la tolérance en ce qui concerne l'autonomie des employés et nous faisons preuve de patience/d'indulgence pour réduire ou éliminer les initiatives qui n'ont pas de succès.	1	2	3	4	5
8.47	Nous avons une structure flexible qui favorise les nouvelles idées dans l'entreprise.	1	2	3	4	5
8.48	Nous avons la culture, les récompenses et les méthodes nécessaires pour soutenir le développement de nouvelles idées de produits ou services.	1	2	3	4	5

Question 9
En considérant les cinq dernières années de votre entreprise, comment classeriez-vous les déclarations suivantes, sur une échelle de 1 à 5, où 1 = Important, 2 = Assez important, 3 = Neutre, 4 = Peu important et 5 = Pas important du tout.

		Important	Assez important	Neutre	Peu important	Pas important du tout
9.1	Il y a eu une planification conséquente en ce qui concerne l'exportation de produits/services.	1	2	3	4	5
9.2	Il y a eu des efforts conséquents dans le but d'augmenter le nombre de clients étrangers.	1	2	3	4	5
9.3	Des ressources financières conséquentes ont été attribuées au développement des marchés étrangers.	1	2	3	4	5
9.4	Des ressources humaines conséquentes ont travaillé au développement des marchés étrangers.	1	2	3	4	5
9.5	Il y a eu plus de ressources financières allouées au développement des marchés locaux.	1	2	3	4	5
9.6	Il y a eu plus de ressources humaines allouées au développement des marchés locaux.	1	2	3	4	5
9.7	Il y a eu une planification conséquente concernant le développement des marchés locaux.	1	2	3	4	5

<u>SECTION D</u> : Les caractéristiques de l'entrepreneur et son orientation vers l'entreprenariat

Question 10
En tant qu'entrepreneur, à quel point êtes-vous d'accord qu'il vous faut posséder les caractéristiques suivantes pour réussir. Dans cette question l'échelle de critères se situe entre 1 et 5, où 1 = Pas important du tout, 2 = Quelque peu important, 3 = Neutre, 4 = Très important, et 5 = Extrêmement important.

		Pas important du tout	Quelque peu important	Neutre	Très important	Extrêmement important
10.1	La volonté de réussir.	1	2	3	4	5
10.2	La confiance en soi.	1	2	3	4	5
10.3	Actif.	1	2	3	4	5
10.4	La ténacité/ l'obstination.	1	2	3	4	5
10.5	La prise de risques.	1	2	3	4	5
10.6	La créativité.	1	2	3	4	5
10.7	L'autodiscipline.	1	2	3	4	5
10.8	L'ingéniosité (Débrouillardise).	1	2	3	4	5
10.9	L'indépendance.	1	2	3	4	5
10.10	Les capacités de leadership.	1	2	3	4	5
10.11	Le sens des affaires.	1	2	3	4	5
10.12	Connaissances organisationnelles.	1	2	3	4	5
10.13	Connaissances en planification.	1	2	3	4	5
10.14	L'audace/ hardiesse.	1	2	3	4	5
10.15	Les qualités analytiques.	1	2	3	4	5
10.16	L'expérience.	1	2	3	4	5
10.17	Etre capable d'établir un réseau de contacts.	1	2	3	4	5
10.18	Des fortes valeurs morales.	1	2	3	4	5
10.19	La chance.	1	2	3	4	5

Question 11
Indiquez le degré d'incertitude avec lequel vous réaliseriez chacune des tâches suivantes, en tant que manager. L'échelle de critères se situe entre 1 et 5, où 1 = Incertitude totale, 2 = beaucoup d'incertitude, 3 = Neutre, 4 = Moins d'incertitude et 5 = Aucune incertitude.

		Incertitude totale	**Beaucoup d'incertitude**	**Neutre**	**Moins d'incertitude**	**Aucune incertitude**
11.1	Le développement de nouvelles idées.	1	2	3	4	5
11.2	Effectuer une analyse financière.	1	2	3	4	5
11.3	Etablir et réaliser les objectifs de ventes.	1	2	3	4	5
11.4	Faire une analyse du marché.	1	2	3	4	5
11.5	Développer de nouveaux marchés.	1	2	3	4	5
11.6	Développer de nouveaux produits ou services.	1	2	3	4	5
11.7	Réduire le niveau de risque et d'incertitude.	1	2	3	4	5
11.8	Faire un 'strategic plan'.	1	2	3	4	5
11.9	Etablir une position compétitive dans le marché.	1	2	3	4	5
11.10	Etablir et réaliser les objectifs.	1	2	3	4	5
11.11	Définir les objectifs de l'entreprise, ses responsabilités et ses politiques.	1	2	3	4	5
11.12	Prendre des risques calculés.	1	2	3	4	5
11.13	Développer de nouvelles méthodes de production.	1	2	3	4	5
11.14	Développer de nouveaux plans et stratégies de marketing.	1	2	3	4	5
11.15	Appliquer de nouvelles techniques de gestion.	1	2	3	4	5
11.16	Prendre des décisions en temps de risque et d'incertitude.	1	2	3	4	5
11.17	Développer un système financier.	1	2	3	4	5
11.18	Développer un système de qualité.	1	2	3	4	5
11.19	Développer un système de contrôles internes.	1	2	3	4	5
11.20	Implémenter /Utiliser un marketing mix.	1	2	3	4	5
11.21	Réduire les conflits entre employés.	1	2	3	4	5
11.22	Augmenter la motivation et la productivité du personnel.	1	2	3	4	5
11.23	Utiliser un système d'évaluation et de récompense des performances.	1	2	3	4	5
11.24	Négocier avec les institutions financières.	1	2	3	4	5

Question 12
Quels sont vos objectifs par rapport à l'entreprise que vous gérez/possédez ? Veuillez s'il vous plait utiliser l'échelle de critères suivante où 1 = Pas important du tout, 2 = Quelque peu important, 3 = Neutre, 4 = Très important, et 5 = Extrêmement important.

		Pas important du tout	Quelque peu important	Neutre	Très important	Extrêmement important
12.1	Augmenter la profitabilité de l'entreprise.	1	2	3	4	5
12.2	Garder votre indépendance en tant que propriétaire de l'entreprise.	1	2	3	4	5
12.3	Créer un fond de pension.	1	2	3	4	5
12.4	Augmenter le temps pour les loisirs.	1	2	3	4	5
12.5	Augmenter les biens personnels.	1	2	3	4	5
12.6	Augmenter votre niveau de vie.	1	2	3	4	5
12.7	Etre reconnu comme un propriétaire d'entreprise prospère.	1	2	3	4	5
12.8	Augmenter la taille de l'entreprise.	1	2	3	4	5
12.9	Investir dans des équipements ou des technologies qui simplifieraient les tâches.	1	2	3	4	5
12.10	Rembourser les dettes.	1	2	3	4	5
12.11	Céder votre entreprise ou vos parts à vos enfants.	1	2	3	4	5
12.12	Devenir le propriétaire d'une plus grande entreprise.	1	2	3	4	5
12.13	Continuer à opérer de la même façon.	1	2	3	4	5
12.14	Ne pas apporter un quelconque changement dans l'immediat.	1	2	3	4	5
12.15	Réunir des fonds pour une expansion.	1	2	3	4	5
12.16	Agrandir l'équipe en charge de la gestion de l'entreprise.	1	2	3	4	5
12.17	Vendre toute l'entreprise ou une partie seulement.	1	2	3	4	5
12.18	Agrandir par l'achat d'une autre entreprise.	1	2	3	4	5
12.19	Réduire l'étendue des activités de l'entreprise.	1	2	3	4	5
12.20	Trouver un partenaire pour partager le 'business risk'.	1	2	3	4	5
12.21	Travailler pour quelqu'un d'autre.	1	2	3	4	5

SECTION E: L'établissement d'un réseau de contacts.

Question 13
Jusqu'à quel point travaillez-vous en réseau (localement et/ou internationalement) pour les points suivants. Veuillez s'il vous plait utiliser l'échelle de critères suivante où 1 = Très souvent, 2 = Assez souvent, 3 = Occasionnellement, 4 = Rarement, et 5 = Jamais.

		Très souvent	Assez souvent	Occasionnellement	Rarement	Jamais
13.1	Développer de nouveaux produits.	1	2	3	4	5
13.2	Recueillir les informations liées au marketing.	1	2	3	4	5
13.3	Identifier les nouvelles tendances du marché.	1	2	3	4	5
13.4	Surveiller les concurrents dans le marché local.	1	2	3	4	5
13.5	Attirer et conserver les clients potentiels.	1	2	3	4	5
13.6	Identifier les fournisseurs potentiels.	1	2	3	4	5
13.7	Surveiller les concurrents dans les marchés étrangers.	1	2	3	4	5
13.8	Recrutement de nouveaux employés.	1	2	3	4	5
13.9	Acquisition de nouvelles technologies.	1	2	3	4	5

SECTION F: Les Petites et Moyennes Entreprises à Maurice.

Question 14

En utilisant l'échelle de critères ci-dessous, veuillez indiquer jusqu'à quel point les déclarations suivantes sont en conformité avec les différents sujets qui concernent les PMEs Mauriciennes. Où, 1 = Tout à fait d'accord, 2 = D'accord, 3 = Ni d'accord ni pas d'accord, 4 = Pas d'accord et 5 = Pas du tout d'accord.

		Tout à fait d'accord	**D'accord**	**Ni d'accord ni pas d'accord**	**Pas d'accord**	**Pas du tout d'accord**
14.1	Les PMEs font peu ou presque pas de planification formelle de marketing.	1	2	3	4	5
14.2	Les activités de marketing effectuées par les PMEs se limitent à des foires commerciales et à des foires promotionnelles locales et internationales.	1	2	3	4	5
14.3	La planification du marketing se cantonne/limite à un exercice de budget annuel.	1	2	3	4	5
14.4	Les PMEs n'ont pas de planification à long terme en ce qui concerne le marketing.	1	2	3	4	5
14.5	Pour maintenir leurs avantages concurrentiels, les PMEs se concentrent plus sur le prix que sur les autres éléments du marketing mix.	1	2	3	4	5
14.6	Les PMEs comptent beaucoup sur le bouche à oreille pour faire connaître leurs produits.	1	2	3	4	5
14.7	Les PMEs ont une compétence limitée pour mener une étude de marché à Maurice.	1	2	3	4	5
14.8	Les PMEs n'ont pas un système de contrôle formel qui leur permet de comprendre les activités de leurs concurrents.	1	2	3	4	5
14.9	Pour retenir leurs clients les PMEs misent sur la qualité de leurs produits et services.	1	2	3	4	5
14.10	Les PMEs dépensent beaucoup en terme de temps, de ressources et d'efforts pour attirer les clients.	1	2	3	4	5
14.11	Les PMEs ne sont pas innovants en ce qui concerne leurs lignes de produits.	1	2	3	4	5
14.12	Les PMEs sont dotées de moyens limités pour avoir accès au crédit.	1	2	3	4	5
14.13	Les PMEs mesurent le succès de leurs nouveaux produits/services en s'appuyant sur les ventes/ profits additionnels que ces derniers ont rapportés.	1	2	3	4	5
14.14	Les PMEs comptent beaucoup sur leurs réseaux de contacts en ce qui concerne l'innovation de leurs produits.	1	2	3	4	5
14.15	Les PMEs comptent beaucoup sur leurs réseaux de contacts pour comprendre les changements dans les besoins et les préférences de leurs clients.	1	2	3	4	5
14.16	Les PMEs comptent beaucoup sur leurs réseaux de contacts pour identifier les opportunités qui existent dans le marché.	1	2	3	4	5
14.17	Les PMEs éprouvent des difficultés à rivaliser avec les concurrents des marchés étrangers.	1	2	3	4	5

14.18	Les PMEs doivent mettre l'accent sur l'exportation afin d'augmenter leur clientèle et leur volume de production.	1	2	3	4	5
14.19	Les lois rigides du travail imposent des contraintes sur les PMEs en ce qui concerne l'embauche et le licenciement du personnel.	1	2	3	4	5
14.20	Les PMEs reçoivent un soutien adéquat des diverses institutions dévouées à la promotion d'une culture d'entreprenariat à Maurice.	1	2	3	4	5
14.21	Le succès des PMEs est souvent restreint à cause du flot de produits importés qui entrent sur le marché local.	1	2	3	4	5
14.22	Les PMEs doivent bénéficier d'un taux préférentiel pour les services tels que l'électricité, l'eau et le téléphone.	1	2	3	4	5
14.23	Les PMEs n'ont pas un accès adéquat aux informations que détiennent les institutions gouvernementales sur les marchés étrangers.	1	2	3	4	5
14.24	Il faut créer des programmes de soutien adaptés au secteur du service.	1	2	3	4	5
14.25	La création d'une zone industrielle dotée de toutes les infrastructures nécessaires doit être une priorité pour le gouvernement.	1	2	3	4	5
14.26	La bureaucratie associée à la création d'une PME, l'accès aux marchés, la participation des PMEs aux foires commerciales, l'accès au crédit doivent être revus pour améliorer leur compétitivité	1	2	3	4	5
14.27	Ce sont les programmes de formation adaptés à chaque secteur et non les programmes de formation générique qui vont augmenter la performance des PMEs.	1	2	3	4	5
14.28	La communication entre les PMEs et le secteur public doit être améliorée afin de faciliter la dissémination d'information et d'opportunités existantes sur le marché.	1	2	3	4	5

SECTION G: Points de vue des PMEs en général

15 D’une façon générale, comment considérez-vous l’orientation de votre compagnie par rapport au marché?

□ 1. Très bonne.

□ 2. Bonne.

□ 3. Ni bonne ni mauvaise.

□ 4. Mauvaise.

□ 5. Très mauvaise.

16 D’une façon générale, comment décrieriez-vous la fidélité du client à l’égard de votre compagnie ?

□ 1. Très élevée

□ 2. Assez élevée

□ 3. Ni élevée ni faible

□ 4. Assez faible

□ 5. Très faible

17 D’une façon générale, comment décrierez-vous la satisfaction du client par rapport à vos produits/services ?

□ 1. Très satisfait

□ 2. Accès satisfait

□ 3. Ni Satisfait ni insatisfait

□ 4. Accès insatisfait

□ 5. Très insatisfait

18 D’une façon générale, comment décrieriez-vous la compétitivité de votre entreprise sur le marché ?

□ 1. Très bonne.

□ 2. Bonne.

□ 3. Ni bonne ni mauvaise.

□ 4. Mauvaise.

□ 5. Très mauvaise.

19 D’une façon générale, comment décrieriez-vous la performance de votre compagnie durant les cinq dernières années ?

□ 1. Très bonne.

□ 2. Bonne.

□ 3. Neither Good nor Poor

□ 4. Mauvaise.

□ 5. Très mauvaise.

20 D’une façon générale, comment décrieriez-vous l’orientation stratégique de votre compagnie ?

□ 1. Très bonne.

□ 2. Bonne.

□ 3. Neither Good nor Poor

□ 4. Mauvaise.

□ 5. Très mauvaise.

21 D’une façon générale comment percevez-vous l’avenir des PMEs à Maurice ?

□ 1. Très pessimiste

□ 2. Pessimiste

□ 3. Ni pessimiste ni optimiste

□ 4. Optimiste

□ 5. Très optimiste

SECTION H: Internationalisation

Question 22

Sur une échelle de 1 à 5, indiquez le degré d'importance que vous accordez, entant que directeur/gestionnaire d'une PME, aux points suivants : Où 1= Très important, 2 = Important, 3 = Neutre, 4 = Peu important, 5 = Pas important du tout.

		Très important	Important	Neutre	Peu important	Pas important du tout
22.1	Entreprendre des visites d'affaires à l'étranger.	1	2	3	4	5
22.2	Entreprendre des vacances à l'étranger.	1	2	3	4	5
22.3	Encourager ceux qui détiennent une position clé dans l'entreprise à effectuer des visites à l'étranger.	1	2	3	4	5
22.4	Encourager ceux qui détiennent une position clé dans l'entreprise à apprendre de nouvelles langues.	1	2	3	4	5
22.5	Payer un cours de langues à ceux qui détiennent un poste important dans l'entreprise.	1	2	3	4	5
22.6	Avoir une connaissance sur les marchés étrangers.	1	2	3	4	5
22.7	Avoir une connaissance des concurrents étrangers.	1	2	3	4	5
22.8	Avoir une expérience de la culture étrangère.	1	2	3	4	5
22.9	Développer un réseau de contacts international relatif aux affaires (formel ou informel).	1	2	3	4	5
22.10	Avoir un réseau d'amis et de collègues étrangers.	1	2	3	4	5
22.11	Encourager la visite de personnes étrangères dans l'entreprise.	1	2	3	4	5

Question 23

En utilisant l'échelle ci-dessous, indiquez la fréquence à laquelle, votre entreprise adopte les stratégies internationales suivantes : Où 1 = Très fréquemment, 2 = Fréquemment, 3 = Assez fréquemment, 4 = Rarement et 5 = Jamais

		Très fréquemment	Fréquemment	Assez fréquemment	Rarement	Jamais
23.1	L'importation.	1	2	3	4	5
23.2	L'exportation.	1	2	3	4	5
23.3	Une subsidiaire.	1	2	3	4	5
23.4	Une coentreprise (ou une société en participation)	1	2	3	4	5
23.5	Des alliances stratégiques.	1	2	3	4	5
23.6	Une licence.	1	2	3	4	5
23.7	Une franchise.	1	2	3	4	5
23.8	Contrat de sous-traitance	1	2	3	4	5

(*Si la question 23 n'est pas applicable, allez à la question 31*)

Question 24

Sur une échelle de 1 à 5, indiquez jusqu'à quel point les raisons suivantes ont poussé votre entreprise à l'adoption d'une ou de plusieurs stratégies internationales mentionnées à la question 23: Où 1 = En grande partie, 2 = En partie, 3 = Modérément, 4 = Pas vraiment et 5 = Pas du tout.

		En grande partie	En partie	Modérément	Pas vraiment	Pas du tout
24.1	L'accès aux devises fortes	1	2	3	4	5
24.2	L'attirance de marchés étrangers	1	2	3	4	5
24.3	Le manque de commerce sur le marché local.	1	2	3	4	5
24.4	Vous avez eu des propositions.	1	2	3	4	5
24.5	L'accès au crédit étranger	1	2	3	4	5
24.6	La langue commune	1	2	3	4	5
24.7	La proximité géographique	1	2	3	4	5
24.8	La ressemblance de culture	1	2	3	4	5
24.9	Une opportunité inattendue	1	2	3	4	5
24.10	Une opportunité pour augmenter votre réseau de contacts.	1	2	3	4	5
24.11	La nature de votre entreprise.	1	2	3	4	5
24.12	Agrandir l'entreprise	1	2	3	4	5
24.13	Diversifier les risques	1	2	3	4	5
24.14	Un manque de matières premières	1	2	3	4	5
24.15	L'accès à des matières premières à meilleur marché.	1	2	3	4	5

Question 25
En utilisant une échelle de 1 à 5, indiquez les difficultés auxquelles vous avez à faire face par rapport au processus de l'internationalisation. Où 1= Pas un problème, 2 = Légèrement un problème, 3 = Modérément un problème, 4 = Un problème et 5 = Un gros problème.

		Pas un problème	Légèrement un problème	Modérément un problème	Un problème	Un gros problème
La gestion, les ressources et la connaissance						
25.1	L'engagement et la motivation de l'équipe de gestion.	1	2	3	4	5
25.2	L'engagement et la motivation des autres membres du personnel.	1	2	3	4	5
25.3	Etablir clairement des responsabilités pour chaque individu.	1	2	3	4	5
25.4	Etablir un système de gestion qui soit efficace.	1	2	3	4	5
25.5	Etablir des systèmes de gestion de coûts qui soient efficaces.	1	2	3	4	5
25.6	Etablir des alliances stratégiques.	1	2	3	4	5
25.7	Une résistance provenant de la culture interne de la compagnie par rapport aux activités internationales.	1	2	3	4	5
25.8	Re-attribuer les ressources internes de l'entreprise (Par exemple, les ventes, le marketing, l'administration)	1	2	3	4	5
25.9	L'évaluation et le feedback sur la performance internationale de votre entreprise	1	2	3	4	5
25.10	Le manque d'expérience et de savoir-faire.	1	2	3	4	5
25.11	De piètres connaissances en langues.	1	2	3	4	5
Aptitude, capacité & qualité						
25.12	Une capacité insuffisante par rapport à la production.	1	2	3	4	5
25.13	Les questions relatives à la production (Flexibilité, ressources)	1	2	3	4	5
25.14	Le développement des produits (Nouvelles idées)	1	2	3	4	5
Les finances						
25.15	Se procurer des financements internes adéquats (en utilisant les ressources, profits)	1	2	3	4	5
25.16	Se procurer des financements externes adéquats.	1	2	3	4	5
25.17	Atteindre un niveau acceptable en ce qui concerne la hausse des coûts.	1	2	3	4	5
25.18	L'accès et l'utilisation de devises fortes.	1	2	3	4	5
25.19	Les méthodes de paiements (Les versements sont faits tardivement, les problèmes liés aux devises etc.)	1	2	3	4	5

25.20	Gagner des marges de profits adéquats sur les activités internationales.	1	2	3	4	5
25.21	Se protéger contre les fluctuations dans les devises étrangères.	1	2	3	4	5
25.22	Le manque d'assistance et de fonds gouvernementaux.	1	2	3	4	5
La revue des plans						
25.23	Une planification stratégique adéquate.	1	2	3	4	5
25.24	La revue des feedbacks concernant la performance internationale de l'entreprise	1	2	3	4	5
Les informations						
25.25	L'utilisation d'ordinateurs.	1	2	3	4	5
25.26	L'utilisation de l'internet.	1	2	3	4	5
25.27	Trop d'information	1	2	3	4	5
25.28	Trop peu d'information	1	2	3	4	5
25.29	Vous ne saviez pas ou trouver les informations	1	2	3	4	5
25.30	L'insuffisance et la mauvaise qualité des informations disponibles.	1	2	3	4	5
La marché						
25.31	Les barrières linguistiques et culturelles.	1	2	3	4	5
25.32	Des difficultés concernant la législation des marchés étrangers.	1	2	3	4	5
25.33	La stabilité politique	1	2	3	4	5
25.34	Des différences relatives à la culture, la gestion et les pratiques de l'entreprise	1	2	3	4	5
25.35	Des différences par rapport à l'avancée technologique et les normes requises concernant vos produits	1	2	3	4	5
25.36	Des problèmes liés à l'accès aux infrastructures locales dans les marchés d'outre-mer.	1	2	3	4	5
25.37	Une connaissance adéquate de la taille du marché, sa structure et ses secteurs cibles	1	2	3	4	5
25.38	Une connaissance adéquate des clients potentiels	1	2	3	4	5
25.39	Une politique appropriée concernant les prix	1	2	3	4	5
Les produits et les réseaux de distribution						
25.40	Avoir une connaissance du système de distribution	1	2	3	4	5
25.41	Des problèmes avec le système de distribution en cours	1	2	3	4	5
25.42	Des activités promotionnelles efficaces (La publicité, Le direct mailing, les communiqués de presse)	1	2	3	4	5
25.43	La relation avec les distributeurs	1	2	3	4	5
25.44	La relation avec les clients	1	2	3	4	5

25.45	La relation avec les partenaires	1	2	3	4	5
25.46	La relation avec ceux engagés dans la sous-traitance	1	2	3	4	5
25.47	Le service après-vente	1	2	3	4	5
25.48	L'empaquetage et l'étiquette	1	2	3	4	5
Autres points						
25.49	La bureaucratie	1	2	3	4	5
25.50	Le niveau élevé de compétition	1	2	3	4	5
22.51	L'obtention de contrats	1	2	3	4	5

Question 26 Les types d'informations requises

Sur une échelle de 1 à 5, indiquez l'importance de chaque information, lorsqu'une entreprise décide de s'engager dans des activités internationales. Où 1= Très important, 2 = Important, 3 = Neutre, 4 = Peu important, 5 = Pas important du tout.

		Très important	Important	Neutre	Peu important	Pas important du tout
26.1	Les informations concernant les concurrents locaux opérant dans le marché étranger que vous visez.	1	2	3	4	5
26.2	Les informations concernant la concurrence internationale dans le marché étranger que vous visez.	1	2	3	4	5
26.3	La tendance des prix dans les marchés étrangers cibles	1	2	3	4	5
26.4	Les informations concernant la préférence de l'acheteur dans le marché étranger que vous visez	1	2	3	4	5
26.5	Les informations sur les obstacles pouvant survenir dans les marchés étrangers cibles	1	2	3	4	5
26.6	Les informations sur le taux de croissance du marché	1	2	3	4	5
26.7	Les informations sur la taille du marché	1	2	3	4	5
26.8	Les informations sur l'historique social/politique des marchés cibles étrangers	1	2	3	4	5
26.9	Les informations concernant les infrastructures liées au transport dans les marchés cibles étrangers	1	2	3	4	5
26.10	Les informations sur l'historique économique des marchés cibles étrangers	1	2	3	4	5
26.11	Les informations sur les divers moyens de distribution /d'entreposage dans les marchés étrangers cibles	1	2	3	4	5
26.12	Les information concernant les fluctuations des devises étrangères	1	2	3	4	5
26.13	Les informations les exigences légales dans les marchés cibles étrangers	1	2	3	4	5
26.14	Les informations qui vous serviront de	1	2	3	4	5

	guide par rapport à promotion dans les marchés cibles étrangers					
26.15	Les différentes façons d'adapter la production en cours, dans les marchés cibles étrangers	1	2	3	4	5
26.16	L'assistance du gouvernement qui permettrait aux PMEs a vise les marchés étrangers	1	2	3	4	5

Question 27

A part la connaissance de certains marchés, il existe une grande variété de problèmes et de risques, affectant le succès des PMEs sur le plan international. En utilisant une échelle de 1 a 5, indiquez votre point de vue sur l'étendue et la qualité des informations disponibles sur les problèmes et les risques suivants: Où 1 = Excellent, 2 = Au-dessus de la moyenne, 3 = Moyen, 4 = Au-dessous de la moyenne et 5 = Extrêmement médiocre.

		Excellent	**Au-dessus de la moyenne**	**Moyen**	**Au-dessous de la moyenne**	**Extrêmement médiocre**
27.1	Les risques financiers	1	2	3	4	5
27.2	Les conditions économiques et politiques	1	2	3	4	5
27.3	Le transfert de risques	1	2	3	4	5
27.4	Le comportement de l'acheteur	1	2	3	4	5
27.5	La fluctuation dans le taux du change	1	2	3	4	5
27.6	Des contrats à terme	1	2	3	4	5
27.7	L'aide du gouvernement	1	2	3	4	5

Question 28

En utilisant une échelle de 1 à 5, indiquez le degré d'utilité en ce qui concerne les informations provenant des sources ci-dessous. Où 1 = Pas utile, 2 = Légèrement utile, 3 = Moyennement utile, 4 =Utile et 5 = Très utile.

		Pas utile	**Légèrement utile**	**Moyennement utile**	**Utile**	**Très utile**
28.1	Les informations provenant de votre propre équipe d'étude de marché	1	2	3	4	5
28.2	Les informations provenant de réseaux de contacts liés au commerce	1	2	3	4	5
28.3	Les informations provenant de réseaux informels (Amis etc)	1	2	3	4	5
28.4	Les informations provenant des agents d'outre-mer	1	2	3	4	5
28.5	Les informations provenant des agents mauriciens	1	2	3	4	5
28.6	Les informations provenant de consultants	1	2	3	4	5
28.7	Les informations provenant de la chambre de commerce	1	2	3	4	5
28.8	Les informations provenant des associations professionnelles	1	2	3	4	5
28.9	Les informations provenant des agences d'étude de marché	1	2	3	4	5
28.10	Les banques commerciales	1	2	3	4	5
28.11	La DBM (Banque de développement de Maurice)	1	2	3	4	5
28.12	La SEHDA (Small Enterprises and Handicraft Development Authority) (Si la personne sondée ne connaît pas la SEHDA, allez à la section 28.12A et 28.12B)	1	2	3	4	5
28.12A	La SMIDO (Small and Medium Industries Development Organisation)	1	2	3	4	5
28.12B	La NHPA (National Handicraft Promotion Agency)	1	2	3	4	5
28.13	Enterprise Mauritius (*Si la personne sondée ne connaît pas Enterprise Mauritius, allez à la section 28.13A)*	1	2	3	4	5
28.13A	La MIDA *(Mauritius Industrial Development Authority)*	1	2	3	4	5
28.14	La MTPA *(Mauritius Tourism Promotion Authority)*	1	2	3	4	5
28.15	Le ministère des petites et moyennes entreprises, des commerces et des coopératives.	1	2	3	4	5
28.16	La FSC (Financial Services Commission)	1	2	3	4	5

Question 29

Indiquez le degré avec lequel votre entreprise s'engage dans les activités suivantes: Où 1 = Considérablement, 2 = Beaucoup, 3 = Modérément, 4 = Peu et 5 = Pas du tout.

		Considérablement	Beaucoup	Modérément	Peu	Pas du tout
Une stratégie prudente d'internationalisation						
29.1	Le degré avec lequel l'entreprise se concentre sur quelques marchés internationales	1	2	3	4	5
29.2	Le degré avec lequel l'entreprise projète de se concentrer sur des relations étroites et de longue durée avec un nombre limité de clients étrangers	1	2	3	4	5
29.3	Le degré avec lequel l'entreprise préfère développer ses activités internationales petit à petit.	1	2	3	4	5
Une stratégie de partenariat avec un associe dominant						
29.4	Le degré avec lequel l'entreprise recherche activement un associé dominant dans le but de consolider votre fond de capital	1	2	3	4	5
29.5	Le degré avec lequel l'obtention d'une licence sera un facteur important dans le développement des activités internationales de l'entreprise	1	2	3	4	5
29.6	Le degré avec lequel les accords concernant les marques vont être un facteur important dans le développement des activités internationales de l'entreprise	1	2	3	4	5
29.7	Le degré avec lequel l'entreprise recherche activement un associé ayant une grande part de marché afin d'avoir accès aux gros clients se trouvant dans les marchés internationaux	1	2	3	4	5
Une alliance stratégique à part égal avec un associé						
29.8	Le degré avec lequel l'entreprise recherche activement un associe qui soit de la même force qu'elle, pour pouvoir faire face aux défis des marchés internationaux	1	2	3	4	5
29.9	Le degré avec lequel les alliances faites avec les associés étrangers est essentiel dans la stratégie de l'entreprise	1	2	3	4	5
29.10	Le degré avec lequel l'entreprise recherche un associé qui soit de la même force qu'elle, pour compléter ses compétences	1	2	3	4	5

Une stratégie visant les marchés spécialisés						
29.11	Le degré avec lequel l'entreprise va développer activement de nouveaux créneaux dans les années à venir.	1	2	3	4	5
29.12	Le degré avec lequel l'entreprise va s'établir dans des marchés spécialisés dans le but de vendre ses produits à un groupe de clients bien défini.	1	2	3	4	5
29.13	Le degré avec lequel l'entreprise va continuer de développer sa position courante dans les marchés internationaux spécialisés	1	2	3	4	5
Le développement d'une stratégie nouvelle par rapport à l'entreprise						
29.14	Le degré avec lequel le but ultime de l'entreprise est d'augmenter sa ligne de produits dans les années à venir	1	2	3	4	5
29.15	Le degré avec lequel l'entreprise recherche activement des nouveaux produits par le biais de nouvelles technologies	1	2	3	4	5

Question 30

En utilisant les mesures suivantes, comment décrieriez-vous la performance de votre entreprise dans les marchés d'outre-mer? Où 1 = Très bonne, 2 = Bonne, 3 = A peine acceptable, 4 = Mauvaise et 5 = Très mauvaise.

		Très bonne	**Bonne**	**A peine acceptable**	**Mauvaise**	**Très mauvaise**
30.1	Le niveau de profit	1	2	3	4	5
30.2	Le volume de ventes	1	2	3	4	5
30.3	La croissance	1	2	3	4	5
30.4	La performance en générale	1	2	3	4	5

Question 31

En utilisant l'échelle de critères ci-dessous, indiquez jusqu'à quel point les raisons suivantes ont poussé votre entreprise au rejet des stratégies internationales. Où 1 = En grande partie, 2 = En partie, 3 = Modérément, 4 = Pas vraiment et 5 = Pas du tout.

		En grande partie	En partie	Modérément	Pas vraiment	Pas du tout
31.1	L'adoption de stratégies internationales est trop cher	1	2	3	4	5
31.2	Vous préférez vous concentrer sur le marché local	1	2	3	4	5
31.3	Il n'y a pas lieu de déployer vos activités puisque l'entreprise est assez grande	1	2	3	4	5
31.4	L'entreprise est trop petite pour s'engager dans des activités internationales	1	2	3	4	5
31.5	Les frais de douanes posent un gros problème	1	2	3	4	5
31.6	Vous n'avez pas de plan concernant le déploiement de vos activités à l'étranger	1	2	3	4	5
31.7	Le manque de temps	1	2	3	4	5
31.8	Le manque de connaissance sur les marchés d'outre-mer	1	2	3	4	5
31.9	Entreprendre des activités internationales engagent de trop grands risques	1	2	3	4	5
31.10	La nature de l'entreprise	1	2	3	4	5
31.11	Le niveau de compétition dans les marchés d'outre-mer est trop élevé	1	2	3	4	5
31.12	L'entreprise n'est pas prête pour se lancer dans des activités d'outre-mer	1	2	3	4	5

SECTION I: La signalétique

1. Sexe.
   □ 1. Homme □ 2. Femme

2. Age.
□ 1. Moins de 20 ans.
□ 2. 20-30 ans.
□ 3. 31-40 ans.
□ 4. 41-50 ans.
□ 5. 51-60 ans.
□ 6. Plus de 60 ans.

3. Votre niveau d'éducation
□ 1. Primaire
□ 2. Secondaire
□ 3. Diplôme
□ 4. Degré
□ 5. Maîtrise
□ 6. Autres (Veuillez être plus précis)

4. Groupe ethnique
□ 1. Hindou
□ 2. Sino-mauricien
□ 3. Population générale
□ 4. Musulman
□ 5. Autres (Veuillez être plus précis)

5. Votre position dans l'entreprise
□ 1. Propriétaire/Directeur
□ 2. Manager
□ 3. Marketing manager
□ 4. Autres (Veuillez être plus précis)

6. Nombres d'années que vous travaillez dans la compagnie :
□ 1. 1-3 ans
□ 2. 4-6 ans
□ 3. 7-9 ans
□ 4. 10-12 ans
□ 5. 13-15 ans
□ 6. Plus de 15 ans

7. L'industrie dans laquelle vous opérez :
□ 1. Alimentation
□ 2. Habillement et Maroquinerie
□ 3. Bois et ameublement
□ 4. Papeterie & Imprimerie
□ 5. Produits chimiques, caoutchouteux & plastiques
□ 6. Bijouterie et les produits relatifs / La poterie et la céramique
□ 7. Produits métalliques
□ 8. Les services hôteliers
□ 9. Les services financiers/ le secteur de l'ICT
□ 10. Autres (Veuillez être plus précis)

8. Le nombre d'années depuis que la compagnie opère dans le secteur
□ 1. 1-3 ans
□ 2. 4-6 ans
□ 3. 7-9 ans
□ 4. 10-12 ans
□ 5. 13-15 ans
□ 6. Plus de 15 ans

9. Taille de l'entreprise (Nombres d'employés):
□ 1. 0-9 employés
□ 2. 10-49 employés
□ 3. Plus de 50 employés

10. Type d'entreprise:
□ 1. Exploitant individuel
□ 2. Une société
□ 3. Une compagnie à responsabilité limitée.
□ 4. Autres (Veuillez être plus précis)

11. A Votre revenu brut approximatif (en roupies) …………………………………

B Votre chiffre d'affaire approximatif pour l'exportation …………………………

MERCI !

Autres détails

Nom de la personne sondée : ………………………….

Numéro de téléphone : …………………………………

Numéro de fax : ………………………………………..

Date : ………………………………………………..

Signature de la personne sondée : …………..…………………………..