

Formal or Informal Marketing Planning? A Small Insight from Maltese SMEs Managers

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Abstract – A subject that concerns different scholars and practitioners is what approach to marketing planning is best for Small and Medium Sized Enterprises (SMEs)? Depending on the manager’s style/ability and business domain, there are examples in which marketing plans are neither explicitly stated, nor written, while others are noted down, have clear objectives, specific actions and perceivable budgets. Either way, each approach (formal or informal) shows a profitable enterprise. Our research objective is to shed some light upon Maltese SMEs manager’s approach to marketing planning, by investigating the relationship between marketing activities, firm size and field of business.

Keywords: formal and informal planning, marketing activity, SMEs, Kendall’s tau-b

I. INTRODUCTION

To start investigating if managers of Small and Medium Sized Enterprises (SMEs) create and implement marketing plans in a formal or informal approach, one must take into considerations earlier investigations results, that show the tendency for a simple and instinctive marketing planning process encountered in SMEs [3; 4; 9].

From this point of view, formal planning is considered by SMEs managers to be an activity for larger organizations with a complex business environment. Secondly, SMEs managers are aware of the formal planning benefits that they can gain in turbulent business conditions.

The present research is not addressing the issue of linking the SMEs managers’ approach to planning with business environment conditions, but encountered results show that formal or informal marketing planning depends on the organization’s size (micro, small and medium) and field of business.

Further research is needed to identify the full range of benefits that a SMEs manager encountered in the planning process (formal or informal) and linking them

with business environment conditions under which planning was made.

Although, under these circumstances, the present research based on literature review and responses gathered from 47 Maltese SMEs regarding marketing planning, pinpoint some interesting findings upon the approach of formal and informal marketing planning within their enterprise.

II. LITERATURE REVIEW

The subject of marketing planning approach is broadly researched in organizational theory literature. For example, the research approach described in [14] shows evidences that strategic planning firms achieve better performance than other firms do. However, the same authors identified cases in which strategic planning often fails due to problems encountered at the implementation stage.

As far as SMEs are concerned, some researchers show that small business managers have product and service knowledge of what is being offered to customers but are not experts in the field of marketing and therefore struggle with implementing strategic planning [10]. On the other hand, other researchers show that small business managers struggle due to lack of marketing knowledge [2].

The key findings of a research described in [18], shows that: “organizations that used strategic planning to make critical decisions were better able to pursue growth opportunities during the crisis; and organizations that relied on strategic planning during the crisis are more confident about their prospects for near-term growth”.

Another study concluded that: “SMEs lack marketing organizational activities, namely in planning and implementation of marketing strategy. Moreover, SMEs with better performance check that their objectives are reached but do not compare their strategy with that of competitors. Hence, they could

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miss opportunities to keep up to date with market development” [8].

Research conducted by Cronin-Glimore (2012), provides recommendations on how to raise the awareness on the need of educating small business managers on the importance of marketing [6]. In other words, the importance of formal marketing planning for creating strong, clear and innovative strategies for increasing the market share. Moreover, in the same study, most of the questioned managers mentioned that they are formulating a strategy for a period of six months or less. Thus, showing a short-term approach to marketing planning, probably not that formal and more project based (i.e. helping the sale force throughout marketing activities).

A case study, described in [7], shows the approach of three SMEs to marketing, being considerably different:

- The first SME has a structured and active approach;
- The second one has a flexible and explorative approach oriented towards the search for visibility of the company;
- The third one does not have a very active approach and it is mainly oriented towards sales boosting.

The three analyzed SMEs are engaged in organizing marketing activities with different degrees of complexity, effort and investment, some of them formal while other informal.

The research conducted by Morgan et al. (2009), examines how specific marketing capabilities can influence a firm's profit growth. Their results suggest that business owners should have a detailed route for building, maintaining and using marketing capabilities, to seek and achieve profit growth [13].

Other researchers (Maziriri & Chinomona, 2016) analyze the relationship between specific marketing practices (relationship marketing, green marketing and innovative marketing) and SMEs business performance, thus indicating a formal planning activity [12].

Pérez-Cabañero et al. (2012) report two management capabilities that positively influence the enterprise's financial performance, namely: marketing planning and pricing capabilities. Among others, by marketing planning capabilities, the authors refer to segmentation and targeting, resources allocation to the marketing department, coordination of marketing activities, effectiveness of the planning process, evaluation and control. In addition, pricing capabilities refer to firms making accurate sales forecasts and implementing effective pricing policies for increasing their sales and profits [16]. In other words, all lead to a strong formal planning.

Four study cases presented by Bettiol et al. (2012), pinpoint that marketing strategy in SMEs is all business-owner driven, nonsystematic, unstructured and a reaction response towards business environment changes [1]. Parry et al (2012) present a case study comparing two software SMEs in which, under similar business conditions, one failed and the other

succeeded, thus showing the business owner mentality of marketing for survival [15].

From a different point of view, Kutkut (2012) focuses on small business ventures, and encounters that their target market selections employ a combination of formal and informal procedure [11]. From our point of view, this shows a possible correlation between business field, enterprise size and marketing activity planning.

We can conclude that authors and practitioners generally agree that formal marketing planning is necessary, although some authors contend that it may be more appropriate in certain situations than others may. Moreover, examples of the benefits that formal planning can provide exist, although few SMEs engage in formal planning.

From this point of view, we question ourselves if there is a correlation between the approach of small business owners to pursue marketing planning activities in their business field and regarding its enterprise size (in terms of turnover and employees number).

III. METHODOLOGY

The method of research consisted of an exploratory qualitative study, obtaining information from 47 Maltese SMEs. An online structured questionnaire (containing 20 questions) was designed to discover the managers' approach and perceptions when pursuing marketing activities. Due to the relative low online response rate (approximate 9%), some of the respondents were interviewed offline during and after the MFCC's - Malta Trade Fair 2013.

After a response preanalysis we created a research framework (Figure 1), taking into consideration the following variables: planning marketing activities, turnover, number of employees and field of business, thus, creating three research hypotheses:

- H01 – There is no relationship between firm size, in terms of turnover and marketing activity planning;
- H02 – There is no relationship between firm size, in terms of employee number and marketing activity planning;
- H303– There is a significant relationship between the firm's field of business and marketing activity planning.

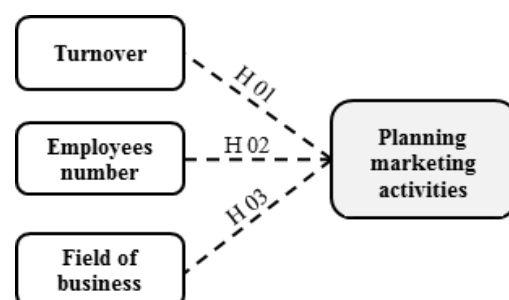


Figure 1. Research framework

To test our assumptions and to understand whether there is an association (in terms of strength and direction) between our variables, we computed Kendall's tau-b correlation coefficient (T_b) in IBM SPSS Statistics.

IV. RESULTS

Firstly, Figure 2 to 5 show the descriptive statistics of our SMEs research sample, for the following variables: turnover, number of employees, field of business and planning marketing activities.

From Figure 2, we can observe that most of our SMEs responses (61.7%) are concentrated in the first two-turnover category: less than 100,000 Euros (34%), respectively between 100,000 – 500,000 Euros (27.7%). Thus, we can conclude that in terms of turnover, our sample contains micro and small size enterprises.

Figure 3, also shows, that in terms of employee number, our SMEs sample contains a great number of micro enterprises (48.9%) with up to 9 employees, respectively small enterprises (40.5%) with a number between 10 – 49 employees.

Regarding the field of business of our sample, presented in Figure 4, we pay attention to our three “spikes”: services (36.2%), commerce (25.5%) and manufacturing for end users (27.7%).

As an empiric conclusion, our sample results are in line with the Maltese economy characteristic presented in PwC’s (Price Waterhouse Coopers) guide: small family-run companies involved in accommodation, food services (and related activities), agriculture, fishery, wholesale/retail, a full range of services

(financial, insurance, real estate, shipping, IT&C and not only) and a manufacturing industry dominated by many small firms with less than 10 employees [17].

Analyzing SMEs responses for the planning of marketing activities (Figure 5.), we encountered that 25.5% do not create or have a marketing plan, while 46.9% have a sort of formal marketing activity planning (not objectives orientated and sporadic).

From this point of view, we can conclude that business-owners of Maltese micro and small enterprises tend to have an interest upon marketing planning even though they set up “hasty” marketing plans. In this line of reasoning, we can consider that the firm size and its field of business could influence these “hasty” marketing plans.

At this stage, based of empirical literature findings and results from our research sample, we can only assume that this approach of informal marketing activities, probably reactive to market opportunities or threats and based of financial performance, is a specific SMEs business-owner manifest, that differ from the conventional and structured form typical for large organizations.

For our hypotheses, regarding the relationship of turnover, number of employees and field of business, upon planning marketing activities, we used Kendall’s correlation coefficient (T_b) to measure and understand the strength and direction of their association. Kendall’s tau correlation coefficient (T_b) can take values between -1 and $+1$, thus a positive correlation indicates that both variables increase together, while a negative correlation indicates that as one variable increases the other one decreases [5].

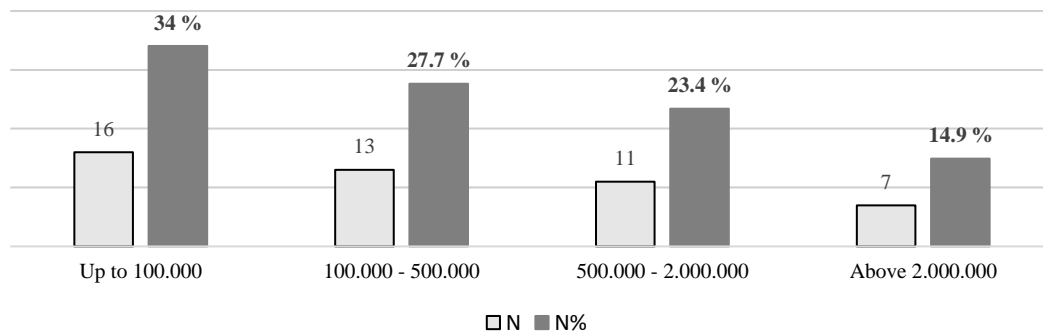


Figure 2. Descriptive statistics for turnover (Euros)

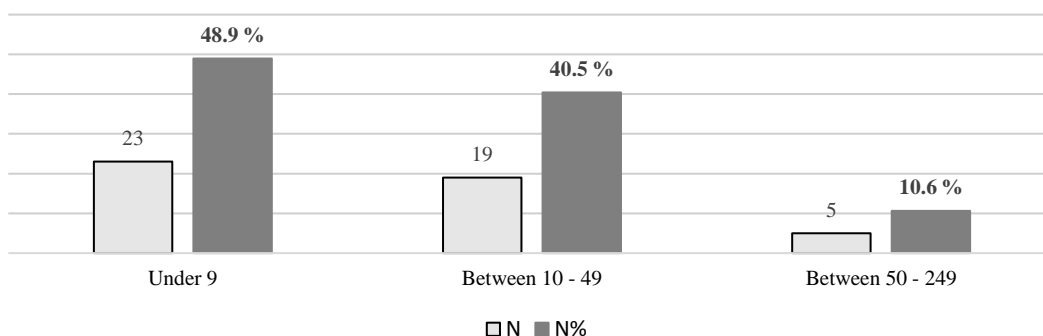


Figure 3. Descriptive statistics for number of employees

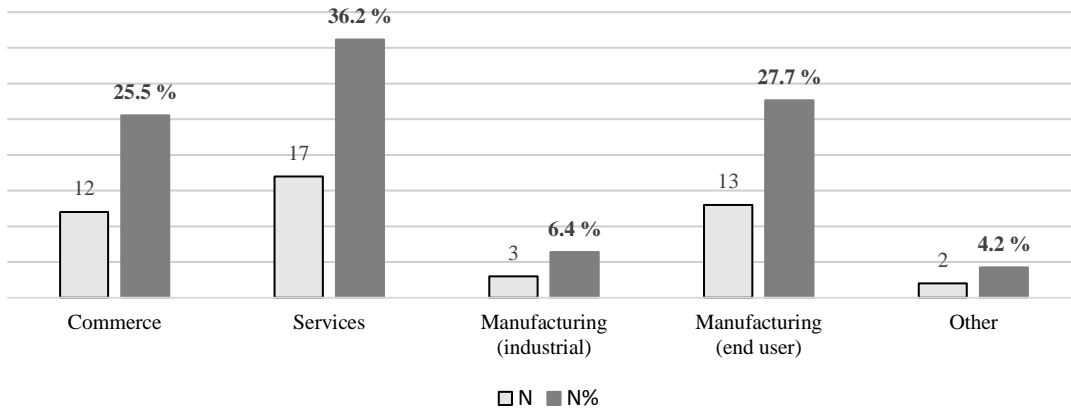


Figure 4. Descriptive statistics for field of business

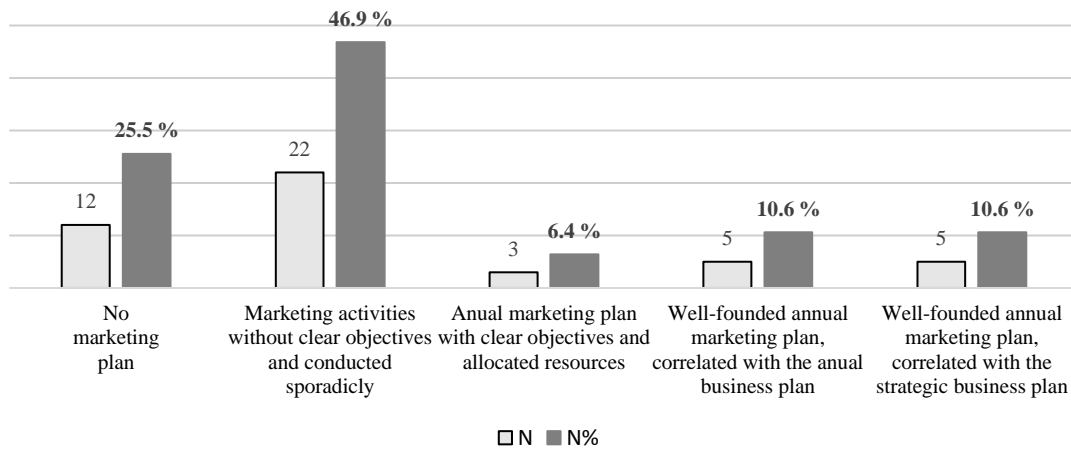


Figure 5. Descriptive statistics for planning marketing activities

Table 1 Kendall's correlation test results

Variables		T	NoE	FoB
PMA	Kendall's tau-b	0.260*	0.301*	-0.083
	Sig. (2-tailed)	0.037	0.022	0.504
	N	47	47	47

*. Correlation is significant at the 0.05 level (2-tailed).

Our results regarding the relationship of turnover (T), number of employees (NoE) and field of business (FoB), upon planning marketing activities (MPA) are presented in Table 1.

For our first hypothesis, we can observe a weak relationship between firm's turnover and marketing activity planning ($T_b = 0.260$), not statistically significant ($p = 0.037$) for our sample. Our hypothesis is rejected; thus, we can conclude that Maltese SMEs managers, take into consideration their financial resources (generated by their turnover) in planning marketing activities, but do not depend on it.

The second hypothesis is also rejected, observing a weak relationship between firm's employee number and marketing activity planning ($T_b = 0.301$), not statistically significant ($p = 0.022$) for our sample. In the same line of reasoning, we can conclude that Maltese SMEs managers, take into consideration their

human resources in planning marketing activities, but are not built upon their number.

Finally, an interesting result is occurred for our last hypothesis, that of a negative relationship between the firm's field of business and marketing activity planning ($T_b = -0.083$). Although, not statistically significant ($p = 0.504$) for our sample, we can assume that our results may be influenced by other factors, like the business environment conditions at the time of data collection. Possibly, a non-turbulent business environment (or an economic stability) caused a relaxation in pursuing market advantages.

V. CONCLUSIONS

From our literature review, we can support the general proposition that tangible and intangible benefits can be identified in organizations that have done some sort of formal marketing planning.

On one hand, our results show a weak, but a positive relationship between firm size (in terms of turnover and employees number) and marketing planning activities, suggesting that formal marketing planning is influenced to a certain extent by the firm's size. On the other hand, the negative relationship between the firm's field of

business and marketing activity planning is reactive to market conditions.

Sure enough, our research has some limitations, firstly due to the relatively small SME sample and secondly since Kendall's Test enables a one by one variables comparison.

For future research we consider creating a generalized statistical model to examine the influence of different factor groups upon marketing activity, with the purpose of determining the minimal conditions level from which SMEs owners have the predisposition to undertake formal marketing activities.

As a personal note, we believe that the business owner's openness towards the understanding of marketing orientation and research principles is essential for successful formal marketing plans.

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