

ACTIVITIES OF STRATEGIC MARKETING PLANNING IN SMES¹

Seda Yıldırım*

Abstract

SMEs (small and medium sized enterprises) have a great economic importance both for developed and developing countries. In regard to economic development in countries, it can be said that SMEs have much more impetus than big-sized enterprises. On the other side, it is seen that SMEs are sometimes failed in the presence of big-sized enterprises and give up their market share. Researches has showed that SMEs were especially insufficient about institutionalization, strategic planning and strategic management. The lack of strategic planning influences the activities of trade and marketing of SMEs as so bad. From this point of view, the purpose of the study is to evaluate the activities of strategic marketing planning of SMEs in Istanbul and determine whether there is a relationship between the characteristics of businesses and the importance of strategic marketing planning. According to the purpose, a pilot study was implemented on SMEs in Ikitelli Organized Trade Zone in İstanbul. A survey form was set with help of prior researches and focus group interview. Survey forms were distributed to 250 firms and then 137 of them was found as suitable for analysis. As a result of analysis, it was seen that SMEs were insufficient in having strategic marketing planning. Also it was found out that there were some significant relationships between the characteristics of SMEs and importance degree of strategic marketing planning activities.

Keywords: SMEs, strategic planning management, strategic marketing planning, marketing activity

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* Recep Tayyip Erdoğan University, The Department of International Trade and Logistic

1. Introduction

Under the competitive conditions surrounding small and medium sized enterprises (SMEs) at present, only those SMEs which complete their institutionalization process and establish their strategic plans for the future are expected to survive from bankruptcy. SMEs that do not abide with these two requirements, have been observed to be competing ineffectively with the large sized enterprises and to be giving up the race most of them, closing eventually down their businesses. In general, SMEs operate under advantages and disadvantages, providing a large share of employment in OECD economies and other economies (OECD,2000). Although SMEs operate in every kind of economy in the world, there is not a generally agreed upon definition of them(USITC,2010), and sometimes different definitions are used even in the same country.

In Turkey, the most common definition for SMEs is the one provided by KOSGEB (Small and Medium Enterprises Development Organization). KOSGEB defines SMEs as enterprises which employ fewer than 250 personnel annually and have sales not exceeding twenty-five million Turkish Lira annually. This kind of enterprises, which is based on SME by-laws (<http://kosgeb.gov.tr/Pages/UI/b.aspx?ref=13>), is referred to as micro business, small business, or medium-sized business. These businesses contribute in the reduction of unemployment and income disparity through their flexible and dynamic structure (Dinçer,1996). But, when they are not institutionalized and/or lack efficient strategic planning, their operation becomes eventually problematic(Yıldırım,2011). Without any strategic planning, the growth or development process cannot be expected (McMohan, 2001). Because strategy points out business' basic goals and provides to reach them with proper tools(Andrews,1971).

Drucker (1999) argues that strategic management should know the mission of the business and then make decisions for the future (Drucker, 1999). Strategic management is a process that guides the mission, targets and values of business (Pitts and Lei, 2000). With strategic management, businesses can know “what they do and what they will do” (Howe, 1993). Strategic management includes some activities such as researching, analysing, selecting and evaluating, that are needed for planning and implementing strategies (Dinçer, 2007). Strategic management cannot be thought of without strategic planning because strategic planning is the first step for strategic management and guides the firm to know itself better and to make a successful decision (Bryson, 2005). Strategic planning has two specific tasks, since it refers to

the future moves of the firm on the one hand but in a strategic manner on the other, with the link being shaped by the proper assessment of the relationships between risks, targets and assumptions (Koçel, 1998).

But, SMEs usually do not behave or operate according to strategic planning (Wang et al., 2007). Prior studies showed that SME managers are not successful in making strategic planning decisions (Jones, 1982; Aram and Cowen, 1990; Baird et al., 1994; Stonehouse and Pemberton, 2002; O'Regan and Ghobadian, 2002; Yusuf and Saffu, 2005; Wang et al., 2007) and prefer to make decisions for today and short-term ones (Ates et al., 2013). SME managers confuse strategic plans with tactical plans like advertising or sales promotion (Lancaster and Ian Waddelow, 1998). With strategic planning, businesses can change and adapt themselves for the changing market conditions. Although most of businesses know that they should operate and trade with the perspective of modern marketing approach, they ignore the importance of strategic marketing planning. Modern marketing approach foresees possible situations in the future and aims at long-term profit optimization (Yükselen, 2010); involves the adaptation of businesses to unstable market conditions, including the changes dictated by the competition environment (Middleton et al., 2009).

Lack of strategic marketing planning, implies loss of competitive advantage in the market. Today's market wars force enterprises to become more cautious and better planned for the future. It is from this point of view that many small and medium sized enterprises have been unsuccessful, ineffective in setting plans and managing strategic programs (Mazzarol, 2004). Those rare cases of small and medium-sized companies with lots of economic and social benefits become often a basic theme in academic studies. The importance of SMEs cannot be ignored in any economy. They appear to be crucial to economic growth in USA, Japan and EU. About 60 to 70 percent of businesses include SMEs in most OECD countries (<http://www.oecd.org/cfe/smes/2090740.pdf>). In some of OECD countries, the percent of SMEs are larger such as in Turkey where 99% of the total enterprises consists of small and medium sized ones. Also, these businesses provide 77% of the total employment, contribute 62,6% to total exports, and absorb 38,5% of the total imports (TÜİK, 2013).

This paper is motivated by these precisely considerations. In what follows, a heuristic research approach is followed in an attempt to find out whether SMEs in Turkey have efficient strategic marketing planning. The next section discusses the research methodology, and Section 3 presents and elaborates upon the results of the quantitative analysis. The paper concludes with Section 4 with some policy remarks.

2. Method and Material

This study used both of quantitative and qualitative methods together. To collect data, the survey method was used and the data was analyzed in SPSS 16. The survey had some questions adapted from prior studies(Hopkins and Hopkins,1997; Glaister and Falshaw,1999; Dinçer et.al. 2006;Arasa and K'Obonyo,2012). Also some questions were developed from focus group interview. Focus group interview which is one of the method of qualitative research, is used to collect comprehensive information about discussed topic(Kitzinger,1995; Gibbs,1997; Krueger et.al.,2000; Bowling,2002; Wilkinson,2004). Focus group interview was not used for data analysis because focus group interview was used only for developing variables of the survey. Because focus group interview results are usually used for determining basic factors or developing new questions for surveys/questionnaires(Kitzinger,1995). Most of researches from various science areas used focus group interview to develop new scales or questionnaires(O'Brien, K.,1993; McLeod et.al.,2000; Kelly et.al., 2005; Mazur and Bennett,2008; Candan and Yildirim,2013). Focus group interview was arranged with 8 employers of small-medium sized enterprises and open-ended questions were asked them to determine important factors in activities of strategic marketing planning.

There were two basic parts and 28 variables in the survey form. The first part included 22 statements(developed from focus group interview; Hopkins and Hopkins,1997; Glaister and Falshaw,1999; Arasa and K'Obonyo,2012; Dinçer et.al.,2006) about companies' activities of strategic marketing planning. These variables were showed below with the basic topic.

Business Plan's Features(Focus group interview):

- This company often does short/mid/long-term plans.
- The short/mid/long-term plans includes every activities of this company.
- The short/mid/long-term plans are made as written concept.

- The short/mid/long-term plans includes physical targets.
- At the end of the term, this company compares the differences between plans and real outputs.
- Every business plan is being uploaded in a present term.

Strategic Marketing Planning(Focus group interview; Hopkins and Hopkins,1997; Glaister and Falshaw,1999; Arasa and K'Obonyo,2012):

- The main purpose of this company is determined for every workers.
- There is a definition for the vision of this company.
- There is definition for the mision of this company.
- The SWOT analyse is implemented in this company.
- This company knows its weakness and strenght elements in the market.
- This company knows the threats in the market.
- This company gets the oppurtunities in the market.
- This company evaluates the environmental factors in the market.
- There is defitiniton for the target customer in the market.
- This company adapts itself according to the new changes in the market.

Marketing Activity(Focus group interview; Dincer et.al.,2006):

- There is some studies for determining the target market in this company.
- There is a recent information system in this company.
- There is a database of customer in this company.
- This company works in a modern marketing approach.
- This company change its activities according to the strategic marketing plans.
- Marketing activities are coordinated with other business activities.

All of these statements were prepared after focus group interview and then the statements were made rated using 5-point Likert scale. The statements were rated from 1- absolutely disagree to 5- absolutely agree. The second part of the survey included the qualitative and quantitative characteristics about companies. Also there was a question about the participant's position in a company. The survey forms were implemented to the small and medium-sized companies(SMEs) in Istanbul. The main research mass consisted of the small and medium-sized companies in Istanbul, Turkey. The population included SMEs which were listed in Istanbul

Chamber of Commerce and activated in Ikitelli Organized Trade Zone. The convenience sampling method was used to reach sample. Survey forms were implemented to these sample with face to face method. In an implementation week, the researcher could interview with 200 small-sized companies and 50 medium-sized companies. After having collected survey forms, at total there were 137 healthy survey forms to analyze.

3. Results

The data which was collected by survey forms, was analyzed in SPSS 16 program. Table 1 shows characteristics of enterprises that joined the survey implementation. %32 of them were in manufacturing sector, %45 of them were in retail sector and %23 of them were in service sector. The size of companies in the sample was shown in here and this distribution depended on legal Turkish definitions for SMEs. In this context, %32 of enterprises were micro firm with having less 10 business, %45 of them were small-sized business with having 11-50 employees and %23 of them were medium-sized business with having 51 employees and more. Most of joined enterprises(%70) were not family business and there were few enterprises that were activating for 5 years and less in the sector. %20 of joined enterprises had an experience between 6-10 years in the sector, %37 of them had an experience between 11-20 years in the sector and %36 of them had an experience in the sector for 21 years and more.

Table 1: Characteristics of Enterprises

		Frequency	Percent(%)
Number of employee and size	10 and less(micro firm)	40	0,32
	11-50 (small-sized firm)	62	0,45
	51 and more(medium-sized firm)	35	0,23
Working period(year)	5 year and less	10	0,07
	6-10 year	28	0,20
	11-20 year	52	0,37
	21 year and more	47	0,36
Family	Yes	42	0,30

		Frequency	Percent(%)
business	No	95	0,70
Business Sector	Manufacturing sector	45	0,32
	Retail sector	62	0,45
	Service sector	30	0,23
Total		137	100,0

Respondents stated their working position in the survey form. It was seen that most of respondents(57%) were owner of the company. 31% of the respondents were company manager and 12% of them were department supervisor in joined enterprises.

Table 2: Frequency Distribution of Respondents' Position

	Frequency	Percent(%)
Owner of the company	78	0,57
Company Manager	42	0,31
Department Supervisor	17	0,12
Total	137	100,0

To determine effective factors in activities of strategic marketing management, factor analysis was used. Before factor analysis, Kaiser-Meyer-Olkin(KMO) and Barlett's test of Sphericity were used to determine whether the scale was suitable for factor analysis.

Table 3: KMO and Barlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,794
Bartlett's Test of Sphericity	Approx. Chi-Square	13,745E3
	df	210
	Sig.	,000

KMO-Barlett Sphericity Test (KMO and Bartlett's Test of Sphericity) was conducted and a score of 0,794 was obtained($p=0,00<0,05$). This result shows that the scale has an acceptable validity to keep on factor analysis.

Table 4: The Results of Factor Analysis

	Mean	Factor loadings	Variance percent	Eigenvalue	Cronbach's Alpha
1.Factor: Business Plan			35,032	4,287	0,810
This company often does short/mid/long-term plans	4,32	,665			
The short/mid/long-term plans include every activities of this company	3,51	,825			
The short/mid/long-term plans are made as written concept	2,48	,736			
At the end of the term, this company compares the differences between plans and real outputs	4,06	,813			
Every business plan is being uploaded in a present term	3,51	,822			
2.Factor: Strategic Marketing Management			14,713	1,879	0,785
There is a definition for the vision of this company	3,30	,798			
There is definition for the mission of this company	3,18	,774			
The SWOT analysis is regularly implemented in this company	2,79	,623			
This company knows its weaknesses and strenghts in the market	2,33	,805			
This company evaluates the environmental factors in the market	3,45	,839			
3.Factor:Marketing Activity			10,442	1,346	0,872
There is some studies for determining the target market in this company	2,41	,886			
There is a recent information system in this company	2,60	,874			
There is a database of customer in this company	2,73	,715			
This company changes its activities according to the strategic marketing plans	3,47	,702			
Marketing activities are coordinated with other business activities	3,29	,820			

With factor analysis, insignificant and not informative variables were eliminated. As a result, 3 basic factors as business plan, strategic marketing management and marketing activity were determined. The number of cumulative variance that values express equals to 60,18% of the total variance. Also the reliability of the scale was determined by Cronbach's alpha test. Cronbach's alpha test shows the consistency of answers. This scale has 0,822 value as Cronbach's alpha coefficient that means it has a great reliability.

In table 4, mean values of significant variables were presented with factor loadings. According to mean values, it can be said that participated enterprises had mostly short/mid/long-term plans but they didn't have these plans as written generally. Also participated enterprises mostly agreed that they evaluated environmental factors in the market as an activity of strategic marketing management. But they had some lack of having definition of mission and vision and doing SWOT analysis. For marketing activity, most of enterprises had agreed that they changed their activities according to strategic marketing plans.

Table 5: The Results of Correlation Analysis

		Employee number (size)	Working period	Family business
Business Plan	Correlation coefficient	,375**	,267**	-,301**
	Sig.(p)	,000	,000	,000
	N	137	137	137
Strategic marketing management	Correlation coefficient	,265**	,290**	-,417**
	Sig.(p)	,000	,000	,000
	N	137	137	137
Marketing activity	Correlation coefficient	,378**	,247**	-,344**
	Sig.(p)	,000	,000	,000
	N	137	137	137

** Correlation is significant at the 0.01 level (1-tailed)

Kendall tau-b correlation test was used to determine the relationship between the characteristics of SMEs and activities of strategic marketing planning. As seen in table 5, it was found out that there were significant relationships between some characteristics of SMEs and factors of strategic marketing planning at the 0,01 level. According to results, it can be said that larger sized enterprises have business plan and strategic marketing management more efficiently than

the smaller sized ones. Also larger sized enterprises have more successful implementations for marketing activities. Experience makes enterprises much more successful in activities of strategic marketing planning because enterprises which has higher working period, also has more successful business plan and strategic marketing management with successful implementations for marketing activities. On the other hand, being family business influences activities of strategic marketing planning negatively. Family businesses don't have efficient business plan and efficient strategic marketing planning as same as non-family businesses and they can't manage marketing activities as efficiently as non-family businesses.

Conclusions

There is so much uncertainty both in global and local markets that small and medium-sized companies have to face some troubles to get survive and keep their stability in the market. This is why the importance of strategic marketing planning has increased. With strategic planning, SMEs can be ready to confront threats and adapt to changes. Strategic marketing planning helps these companies to select the proper marketing strategy and change their marketing decisions aptly and with a long-term sight perspective to keep them developing in the desirable track.

With this study, it was tried to determine the degree of efficient strategic marketing planning implementation of SMEs in Turkey. Toward this end, a questionnaire form was set up and implemented to SMEs in İstanbul, Turkey. After having been collected, 137 questionnaire forms was analyzed. SMEs which were chosen for the sample, were mostly trading in retail sector and then manufacturing sector. Also most of SMEs were small-sized enterprise with having 11-50 employee. The most of SMEs had an experience in the market more than 15 year. On the other hand, the little group of them were family business.

After reliability and validity tests, it was seen that developed scale for determining activities of strategic marketing planning had an accessible reliability(.822) and validity(.794) to keep on factor analysis and correlation analysis. With factor analysis, 3 basic factors and 15 variables were determined as significant variables and these factors were used in correlation analysis.

Mean values of variables show that most of SMEs can't be successful in activities of strategic marketing planning. Especially, when size of enterprise get smaller and experience gets lower, its activities of strategic marketing planning comes close to failure. Due to the below reasons, it is

suggested that small and medium-sized companies(SMEs) should have strategic marketing planning:

- Strategic marketing planning provides companies to efficiently allocate their resources. Companies can reach the market successfully when they use resources efficiently.
- Strategic marketing planning provides companies to be ready for the changes in the market and it helps companies to get the opportunities in the market. With marketing planning implementations, companies can analyze the market and the customer.
- The companies which are implementing strategic marketing planning, can be sensitive for price changes in the market.
- The companies which are implementing strategic marketing planning, can answer the competitor's actions fast.
- The companies which are implementing strategic marketing planning, are also efficient in niche market. To be successful, companies need to know market's profile, customer's profile and other information to analyze and understand the new and niche market.
- Strategic marketing planning provides companies a great competitive power in the market. Because companies can learn the weaknesses and strenghts of their competitors and then they can develop new strategies to keep their position in the market.
- With the definition of mission and vision, companies know their targets better and they can work and coordinate their functions according to targets.

SMEs which operate in developing countries such as Turkey, can be supported by universities, local governments, private corporations etc. With supporting projects or trainings, managers in SMEs can understand the importance of strategic management and strategic planning. Because strategic planning makes businesses aware of threats and opportunities in the competition.

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