



Title Managing Change in SMEs – Approaching
 New Markets

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**MANAGING CHANGE IN SMEs – APPROACHING
NEW MARKETS**

by

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2010

UNIVERSITY OF BEDFORDSHIRE

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A thesis submitted for the degree of Master of Science by Research
for the University of Bedfordshire

March 2010

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ABSTRACT

This thesis explores the change management process necessary for a small to medium sized enterprise (SME) to approach new markets with new products or services. The study details relevant literature, its objective to identify best practice to enable the development of a framework and 'check list' that will guide decision-makers through the considerations and actions necessary for the change activity to take place.

The research outputs take the form of a flow chart process map to be used in conjunction with a series of check lists that prompt the end-user to evaluate their goals against current circumstances and potential future activities. A suitable SME is used as a case study, enabling empirical study and serving as a comparator for the primary output of the research. The outputs of the research were externally tested and verified on a scenario application basis.

The work is of particular value to the case study company and similar SME owner / managers undertaking a change process, especially when restricted by limited knowledge, time and money. Further, small business consultants and change agents can utilize the outputs to the same ends.

ACKNOWLEDEMENTS

I wish to thank my supervisor, Dr. Elly Philpott, for her advice and guidance in completing this research in such a short and intense period of time, and the University of Bedfordshire for allowing the research to take place under such circumstances.

Particularly, I am grateful to my employer for sponsoring this undertaking, and opening up the company to the scrutiny of a research programme. I must also acknowledge the help of friends and associates who have given space and freedom to work, yet have been there to assist; particularly Alan Beaumont for his validation of the results.

Finally and most important, I wish to thank my wife and children. Helen, Matthew and Victoria have sacrificed much to enable me to undertake this research, and without their patience and understanding, this project would never have been possible.

LIST OF CONTENTS

ABSTRACT	I
ACKNOWLEDEMENTS	II
LIST OF CONTENTS	III
LIST OF FIGURES	V
LIST OF TABLES.....	V
CHAPTER 1 – INTRODUCTION	1
1.1 Historical Background.....	1
1.1.1 The Path to Change	2
1.1.2 Change Management and How to Make it Happen	3
1.2 The Research Question	5
1.3 Aims of the Thesis	5
1.4 Objectives of the Thesis	6
1.5 Tasks Set by the Research Question.....	6
1.6 Structure of the Thesis.....	6
CHAPTER 2 – LITERATURE SURVEY	8
2.1 Introduction	8
2.2 Approach to the Literature	8
2.3 Observations and Literature Survey Results	8
2.3.1 Owner Managers	10
2.3.2 Types of Growth	11
2.3.3 Motivation	11
2.3.4 Entrepreneurship	12
2.3.5 Competition and Competitive Advantage	13
2.3.6 Organizational Development	14
2.3.7 Planning Change	15
2.3.7.1 Short-Term Considerations	16
2.3.7.2 External Triggers.....	17
2.3.7.3 Internal Triggers	17
2.3.7.4 Management / Structural Considerations.....	18
2.3.7.5 Resources	19

2.3.7.6 Cultural Considerations	20
2.3.7.7 Process Considerations	22
2.3.7.8 Fiscal Considerations.....	22
2.3.7.9 Markets and Marketing Consideration	23
2.3.7.10 Product / Service / Market Selection	24
2.3.7.11 Longer Term Considerations	25
2.3.8 Change Implementation and Change Management	26
2.3.8.1 Structure and Delegation	27
2.3.8.2 Mission and Message	28
2.3.8.3 Tools and Techniques	29
2.3.8.4 Milestones and Monitoring	31
2.3.9 Controlling Growth	32
2.3.10 Failures in the Change Process	33
2.4 Themes Emerging From the Research	35
2.5 Literature Gaps.....	36
2.6 Summary	36
CHAPTER 3 – RESEARCH METHODOLOGY	37
3.1 Introduction	37
3.2 Methodology.....	37
3.3 Tools of the Research.....	39
3.4 Summary	39
CHAPTER 4 – COMPANY CASE STUDY	40
4.1 Introduction	40
4.2 Company Assessment	40
4.2.1 Case Study Background	40
4.2.2 Case Study Analysis.....	41
4.2.3 Market Analysis and Outline Business Plan.....	43
4.3 Summary	45
CHAPTER 5 – DISCUSSION OF RESULTS AND FRAMEWORK DEVELOPMENT	46
5.1 Introduction	46
5.2 Summary and Discussion of Findings	46
5.2.1 The ‘P’ Categorization	48
5.2.2 The Flow Chart	49
5.2.3 The Check List	49

5.3 Contributors to the Check List.....	49
5.4 Independent Validation of the Primary Outputs.....	50
5.5 Summary	51
CHAPTER 6 – CONCLUSIONS	52
6.1 Introduction	52
6.2 Limitations of the Study	52
6.3 Contribution to Knowledge	53
6.4 Useful Insights for the Case Study Company and Other SMEs.....	54
6.5 Areas for Future Research	54
6.6 Summary	55
REFERENCE DOCUMENTS.....	56
BIBLIOGRAPHY	59
APPENDICES	60
Appendix A – Check List Index	61
Appendix B – Notes for Using Flow Chart and Check Lists	62
Appendix C – Flow Chart: Parts 1 and 2.....	63
Appendix D – Check Lists	64
Appendix E – Implementation Strategy for Case Study Company	70
DECLARATION.....	71

LIST OF FIGURES

Figure 1 – The ‘Motivation / Change / Competitive Advantage’ Cycle	4
Figure 2 – Company Life Cycle Representation	9
Figure 3 – Growth / Product Life Cycle Representation	33

LIST OF TABLES

Table 1 – Themes Emergent From the Research	35
Table 2 – Summary of Case Study Analysis Findings	41

Chapter 1 – Introduction

The purpose of this research was to explore the change management process necessary for a small to medium sized enterprise (SME) to approach new markets with new products or services. The intended Primary Output was a concise document in the form of a 'check list' that guides decision-makers through the considerations and actions necessary to enable the change activity to take place. A suitable SME served as a case study, enabling empirical study and acting as a comparator for the research outcomes.

1.1 Historical Background

There is a considerable volume of literature pertaining to what is now termed 'modern management'. For these purposes, management is defined as *"the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims"* (Koontz, O'Donnell and Weihrich 1990, p.4), and modern refers to the post World War II period.

Cole (1996, p.11-38) introduces the work of management theorists. Henri Fayol (1841-1925) and Frederick Winslow Taylor (1856-1915) were early innovators who set down some general principles of company organization and planning, based upon their own industrial experiences. Later consultants such as Rensis Likert (effectiveness of 'supportive management') and Elton Mayo (employees as team members and the 'Hawthorne Studies' 1927-1932) emerged, promoting ideas for motivation, and theories on 'change management'. The latter can be defined as *"{aiding} organizational development by way of systemic, systematic, behavioural and improvement techniques...to improve/focus company culture"* (Rothwell and Sullivan 2005, p.17). Finally, modern contributors such as Drucker, Porter, Barney and Clark, and the Harvard Business School continue to explore the subject of management practice.

Modern management is rooted in the manufacturing demands created by the Second World War, whereby scale of production and the efficient use of resources were critical to meeting the military demand. With much about technique and process learned, post-war pioneers harnessed this experience to construct organizational profiles on how companies produce most effectively, and in doing so, gained a comprehension that both the processes and the people within these companies were central factors in their efficiency. Cole (1996, p.11-38) discusses key figures including Urwick (development of 'essential principles'), Brech (social elements of successful business management), Maslow (hierarchy of needs), McGregor (X-Y theory) and Herzberg (motivation theory).

The work of these social scientists appears consistently in texts on the post war management evolution, and has been adapted and developed in subsequent literature.

The lessons of the 1950's were applied to the thriving multi-national companies of the 1960's and 1970's, with America and Japan notable beneficiaries. From the early 1980's, Japanese flair for cost reduction, design optimization and styling has further revolutionized the process of product development and manufacturing, so much so, that the Western economies of the 21st Century continue to suffer at the availability of the cheap, high-technology consumer goods that still dominate their markets. The 'Japanese model' in turn has been copied and refined, with countries such as China, Singapore and India similarly emerging as the manufacturing, financial and research leviathans of the new century (often known as Ouchi's 'Theory Z', see Cole 1996, p.45, and Koontz, O'Donnell and Weihrich 1990, p.494).

Post World War II, the United Kingdom has experienced its own problems. Marr (2007) describes the commercial climate during this period, including Britain's decline as a major manufacturer. For example, in 1960, Japan produced around 500,000 motorcycles compared to the UK's 140,000. Meanwhile, former West Germany's share of world trade was four times that of Britain's, and America was out-producing every developed country in almost every manufacturing sector. With inferior designs, outdated processes, and higher overhead costs, smaller British companies found themselves struggling; increasingly paralysed by failing economic policies, poor financing, and union unrest. As attractive foreign imports filled the void, the choices open to small firms were increasingly limited; absorption by major companies, merger with one another, or closure.

1.1.1 The Path to Change

In 1969, the UK Government commissioned an investigation into the state of enterprise in Britain compared with other industrial countries around the world. When the 1971 Bolton Report was published (Stanworth and Gray 1991, p.1), it exposed a dramatic decline in the number of small businesses. Further reports such as Merrett Cyriax Associates (1971) confirmed the problems, recommending the establishment of new 'small firms' management schools, specialist 'small firms' recruitment agencies, and tax reforms to promote the acquisition of SMEs by entrepreneurs. However, in practice, little changed. The early 1970's saw inflation, unemployment and union militancy spiral as businesses struggled on, enduring strikes and power cuts, the 1974 three-day week, and the 1978/79 winter of discontent (Marr 2007).

Facing economic collapse and continuing political difficulties, alternative commercial models were considered. UK Government policy took inspiration from Japan and Germany, whose own post war economic revolutions had been aided by a rapid increase in start-up companies. Following the General Election of 1979, the ideals of a free market economy and private enterprise culture were supported by new legislation aimed at freeing up the money supply, deregulating businesses, and encouraging competition in the market. The Loan Guarantee and Business Start-up Scheme (1981), the Building Societies Act (1986) and the Banking Act (1987) all promoted lending and investment to small businesses, giving rise to their revival. By the mid 1990's, owner-management was flourishing and the British economy recovering. Mining, steel mills, shipyards and car plants gave way to electronics, banking and biochemicals. From 1980 to 1999, the estimated stock of UK businesses rose by 1.3 million to 3.7 million (Department of Trade and Industry 2000), and by the start of 2008 reached 4.8 million, for which SMEs accounted for 99.9% of all enterprises, 59.4% of private sector employment at 13.7 million posts and 50.1% of private sector turnover at £1,500 billion (Department for Business Innovation & Skills 2009).

1.1.2 Change Management and How to Make it Happen

The last two decades has seen modern management elevated to the status of a new science. Business and education increasingly rely upon it to train the entrepreneurs and leaders of the future, learning how to operate in a new world where the commercial demographics routinely shift. The drive toward efficiency by way of process, metrics and management has become a vital motivation for wealth generation and economic survival. A key lesson from the Japanese model is 'motivation'. If it does not exist, businesses are not created, and if it is not nurtured, businesses do not evolve. In 1983, a Thorn EMI Ferguson delegation visited Japan to learn more of its business methods. Reporting its findings, it concluded *"to survive in the long term we must compete in the field of employee commitment...the Japanese do not work harder; they work smarter"* (Buchanan and McCalman 1989, p.5). Motivation *"applies to an entire class of drivers, desires, needs, wishes and similar forces satisfying these"* (Koontz, O'Donnell and Wehrich 1990, p.319), and hence influences all aspects of a business.

Companies require a motive to change, be it increased competition, technological opportunity, or the availability of key staff. Whatever the trigger, to benefit from this motivation, firms must consider what is needed to deal with it and so drive their ongoing profitability. Porter (1998, p.58) describes firms as *"a collection of activities that are performed to design, produce, market, deliver and support its products"*. He talks about these activities as being links in a company's 'value chain', to be analysed and compared

against its competitors for assessing its performance effectiveness or ‘competitive advantage’. The term competitive advantage attracts extensive discussion, e.g. Barney and Clark (2007), Jones and Tilley (2003), and Porter (1998). Described further in 2.3.5 Competition and Competitive Advantage, it is an essential consideration that identifies a firm’s trading edge. Zimmerer and Scarborough (2008, p.85) define it as “*the aggregation of factors that sets a small business apart from its competition and gives it a unique position in the market superior to its competition*”, and it shares a critical cyclical relationship with motivation, and the process of change, as can be represented in the diagram below.

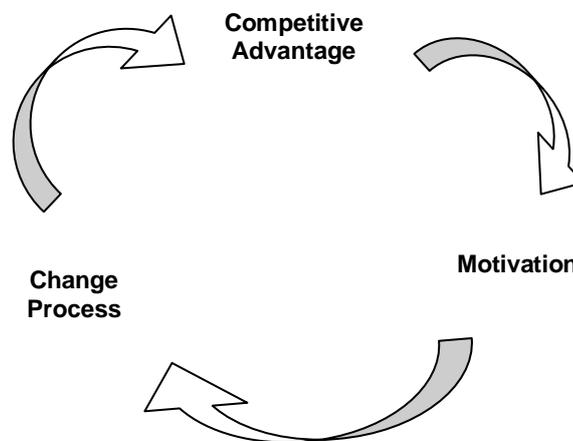


Figure 1 – The ‘Motivation / Change / Competitive Advantage’ Cycle

The process of change – or ‘change management’ – is highly important, for it is this that transforms motivation into the actions and goals that deliver competitive advantage. Buchanan and McCalman (1989, p.5) offer “*the management of change {is} one of the most vital sets of management skills raising some of the most critical organizational issues*”. This view is supported by Paton and McCalman (2002, p.2) who argue that “*management and change are synonymous; it is impossible to undertake a journey without first addressing the purpose of the trip, the route you wish to travel and with whom. Managing change is about handling the complexities of the journey*”. Buchanan, Claydon and Doyle (1989, p.17) concur, suggesting “*the management of continuing change is now more significant than the management of discrete projects*”.

Clearly, the process of change and its management is of crucial importance to ongoing company growth and success, and is particularly acute in the development of SMEs.

Change management can further be defined as *“the continuous process of aligning an organization with its market place”* (Rothwell and Sullivan 2005, p.17). Large or small, all companies must continuously evolve to maintain a viable trading position, and in doing so, adopt those alternative products, methods or markets that will maintain their viability and sustain their future. Barney and Clark (2007), Rothwell and Sullivan (2005), Houston (1999), the International Small Business Journal, Harvard Business School and Drucker (1985, 1999) are typical of the literature discussing how companies can adapt to the challenges facing them. As market requirements change, so must the way in which companies do business. Change management is therefore the essential driver for business survival and development.

For this research, the differences between large companies and SMEs need to be identified. SMEs are a unique group. A small firm is *“not a scaled-down version of larger firms. Larger firms and smaller firms differ from each other in terms of their organizational structures, responses to the environment, managerial styles and, more importantly, the ways in which they compete with other firms”* (Man, Lau and Chan 1999, p.128). SMEs are often established businesses existing on their wits and looking for ways to prosper. Without the resources and experience of larger companies, they can encounter pressures from all directions, and in coping continually with such pressures, their owners / managers are sometimes unable to find opportunities to ‘develop’ their businesses.

1.2 The Research Question

The research question asks how an SME changes by approaching new markets. To answer, this investigation sets out to aid the selection, planning and application of those change activities required, as determined by an assessment and understanding of need, and drawing upon perceived good practice from the literature.

1.3 Aims of the Thesis

1. (Primary) To script a framework document (resembling a check list) that will steer the change management process; one that can be adopted by SMEs introducing new products and services to new markets (also referred to as the ‘Primary Output’ of the research).
2. (Secondary) To produce an implementation strategy based upon a project plan and revised organizational structure for the ‘case study company’.

1.4 Objectives of the Thesis

1. Research the literature – especially relevant case studies – in order to identify strategies applicable to new product / service / market selection.
2. Explore current good practice in project management and business development planning.
3. Understand how different change management methods have been developed and applied, and with what level of success; as derived from empirical study.

1.5 Tasks Set by the Research Question

To achieve the Aims and Objectives of the thesis, Tasks were set to attain the following: -

- An understanding of the analysis methods for auditing a small company, reviewing its current strengths and weaknesses, and opportunities based upon its existing or achievable capabilities.
- A review of those elements within a business that determine which operational processes best suit its stated ambitions, enabling a strategic development plan to be constructed.
- A statement of needs to make the decision-making processes impartial, subjective and meaningful.
- A study of company cultures to understand how training, teamwork, procedures, attitudes, etc. influence success.
- An examination of relevant case studies to assess the effectiveness of change programmes.

1.6 Structure of the Thesis

The remainder of the thesis adopts the following structure: -

- | | |
|------------|--|
| Chapter 2: | A review of the literature highlighting the sources, research themes and literature gaps that might be filled. |
| Chapter 3: | The research methodology selected to explore the research question. |
| Chapter 4: | Use of a case study company to understand the context of a small business approaching change. |
| Chapter 5 | A discussion of the results, framework development and validation process undertaken. |

Chapter 6: The contribution to knowledge made as a result of this research and its relevance to the case study and other SMEs. This includes limitations of the study and ideas for future research.

Appendices: The practical outputs arising from the research.

The unit of analysis is a case study company that has been selected to explore the issues, and act as a vehicle to which the research outputs can be applied (see Chapter 4: Company Case Study).

The Primary Output of this research – the framework document resembling a check list (or series of check lists) – is to be used to further assist the case study company. As the usefulness or otherwise of the Primary Aim cannot be determined in practice within the bounds of this thesis, there are future research opportunities outside the scope of this study to validate this research, both for the SME in question and other similar companies.

Chapter 2 – Literature Survey

2.1 Introduction

This chapter discusses how the literature was approached, and summarises the resultant findings. Authors and publications relevant to this research have been identified along with those topics, tools and arguments that influenced the content and format of the Primary Output. As such, this chapter documents the assimilation of the key data arising from the research, and its formulation into a usable check list.

2.2 Approach to the Literature

Drucker (1999, p.25) states *“there are hundreds if not thousands of books on the management of the various functions of a business: production and marketing, finance and engineering, purchasing, personnel, public relations and so forth...there is no economic theory of business enterprise”*. In discussing the issue of change management, Buchanan, Claydon and Doyle (1997, p.2) comment *“despite a rich literature on the subject, managers report difficulties in translating change implementation theory into practice”*. This sums up the difficulties facing owner / managers seeking information on how better to run their businesses.

To overcome such difficulties for this research, a broad initial survey was followed by a detailed investigation, its purpose to identify evidence from the literature that might help answer the research question. In qualifying this evidence, some form of categorization was found to be necessary so that the validity to SMEs in general, and the case study company in particular, could be assessed. The eventual categorization emerged organically, shaped from a recurring theme of self-assessment, based upon ‘where are we, where do we want to be, and how do we get there?’. This theme seemingly underpins the change management process, and hence defined the research areas.

2.3 Observations and Literature Survey Results

Whilst the triggers for change are varied, this research concentrated upon change through choice as opposed to crisis-driven change. In assessing the triggers, it is worth considering how companies evolve, why change is necessary, and the impact that stagnation can have upon long term viability. A representation of a typical company’s life cycle is illustrated below, based upon Slatter and Lovett’s (1999, p2) ‘corporate life cycle’.

The growth / evolution curve indicates that beyond maturity, stagnation occurs. Without any corrective action (e.g. next generation products, diversification, or a new management approach), decline and failure can result. The further the decline, the harder the transformation or change programme becomes, and the more severe the turnaround action or recovery intervention required.

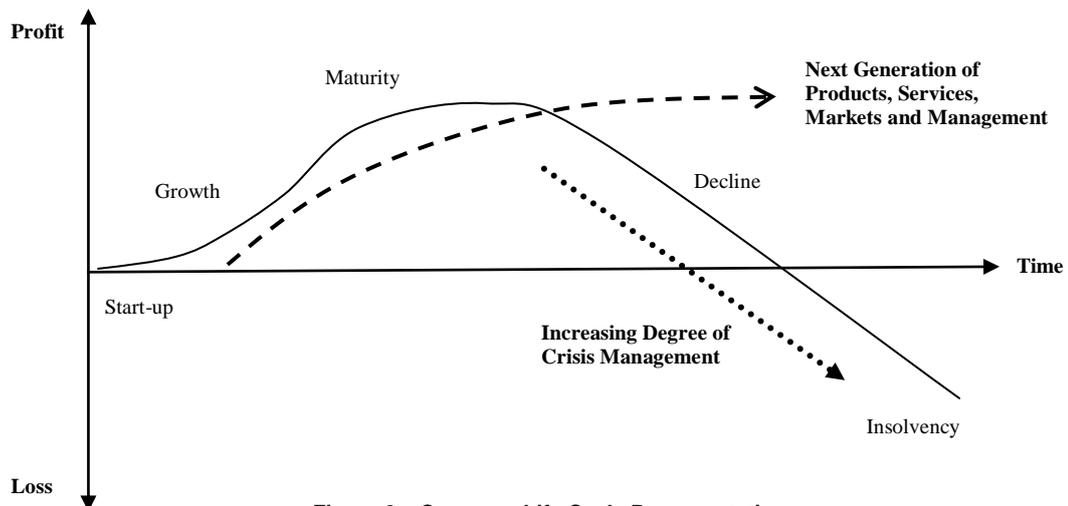


Figure 2 – Company Life Cycle Representation

Adapted from Slatter and Lovett (1999)

According to Slatter and Lovett (1999, p.70), to change, an organisation must first of all: -

- Lose confidence in the existing leadership before listening to the new.
- Abandon old objectives before adopting new ones.
- Amend their perceptions to enable fresh consideration of their environment.
- Accept that the old methods didn't work before adopting new ones.

Only when organizations come to terms with these four impediments to change can decline be halted, strategic planning begin, and recovery commence. For SMEs seeking to change by approaching new markets or introducing new products / services, a number of considerations arise. These fall into a broad category of what is generally referred to as 'change management'. The problems faced by the 'practitioners' of change management occur in most aspects of commercial life including processes, finances, innovation and culture. Each aspect exerts its own influence, and therefore, to generate a meaningful strategy or plan, they must all be considered individually and collectively, so that their impact upon the change management process is understood.

2.3.1 Owner Managers

The motivation of owners, managers and entrepreneurs is often the prime factor in determining if, when, and how a company develops. Some commentators consider that the entrepreneurial characteristic *“always searches for change, responds to it and exploits it as an opportunity”* (Drucker 1985, p.25) or, as Man, Lau and Chan (1999, p.137) put it, *“the entrepreneur must keep an eye on the opportunities and resources available and have the ability to integrate them”*. Some owner / managers have no formal training in business administration, and whilst they may possess sales savvy, a lack of knowledge of strategic management or commercial tools can be an obstacle if not addressed (Woods and Joyce 2003, p.190); a point identified in the Bolton Report: *“SME owners for the most part are inevitably unsophisticated in financial matters, but those who survive have to develop an understanding”* (Stanworth and Gray 1991, p.46). Further and paradoxically, some owner / managers – despite their entrepreneurial tendencies – actively resist the change they recognize as necessary for their businesses to evolve. Pratten (1991, p.105) suggests *“proprietors have other objectives which constrain growth, such as retaining control of their business, the level of consumption they will finance out of the business, avoidance of stress and hassle and the effort and time they wish to put into the business”*. He goes on to say *“some proprietors might not think much about ways of expanding their business so decisions on growth are made by default”*.

Another issue within long-established small businesses is the longevity of the existing management, and the stagnation that often arises from this (Slatter and Lovett 1999, p.1). Often unable to change, such a firm tends to remain within its comfort zone until succession, commercial pressures or fundamental viability make significant change inevitable. Woodward (1976, p.113) warns, *“when a company survives for many years but finally comes upon hard times, it usually means (a) there is a valuable core of talent and expertise within the corporate structure yet (b) some persistent management inadequacies have gradually eroded its strengths and left it vulnerable to whatever adverse fortune it encounters”*.

The research of Merrett Cyriax Associates (1971, p.4) supports the SME’s need for new and specialized management, reporting *“the growth and efficiency of this sector is materially influenced by the inflow of new and better management”*. Their findings conclude, *“the general factor most closely associated with differences in growth of turnover and profitability was management as it is reflected in entry to new markets, development of new products and improvements in market share”* (1971, p.33). It must therefore remain the objective of small businesses and their owner / managers to adopt a motivated and forward-looking approach, evolving to secure their futures.

2.3.2 Types of Growth

There are essentially two types of growth in SMEs: unplanned and planned. Both bring risk and opportunity, and both must be managed. Unplanned growth occurs suddenly, perhaps the result of a surge in a particular product line, or the award of an unexpected contract. An SME can still successfully develop as a result of the unplanned growth, but there are considerable dangers in short-term overtrading, and the experience can be fraught. The most basic of small business guidance literature warns of the problems that unplanned expansion can bring, and the all-consuming impact this can have (Gray 1991, p.1). Surprisingly, the 'take every order' approach, whilst reckless, remains common, as companies hope to cope rather than actively manage their workload. Quality and sustainability issues eventually become critical.

An alternative option might be to resist all ad-hoc opportunities. Whilst seemingly safer, this is still a dangerous tactic, since sudden demands for the products and services will be met by other competitors willing to take on the challenges. In choosing a deliberately weaker trading position, a company loses ground in the market, and too much risk aversion or too little commercial ambition can ultimately prove a terminal policy. So a balance is required. One answer lies in planned or controlled growth; whereby the business carefully evaluates the benefits and implications before selecting new opportunities. Controlling growth in such a way is key – particularly when scaling up production or diversifying into new markets – as prospects are not always predictable, and their anticipated revenues may not arise as expected. Companies already equipped with a degree of 'programmed-in' risk assessment and contingency planning are more able to react in a controlled manner, and should therefore be able to accommodate unexpected fluctuations in trading activity. This controlled approach allows for organic growth by the careful selection of opportunities, thus enabling development at a measured rate and with reduced risk. Ultimately, a firm's growth is limited by its managerial ability, product or market factors, or by uncertainty and risk (Penrose 1995, p.43). It must either plan its response to these limitations, or resign itself to forever reacting to events rather than controlling its future.

2.3.3 Motivation

What sustains a small company? It is clear that the skills required to launch a new enterprise differ from those necessary to maintain and develop it. The innovation, entrepreneurship and enthusiasm displayed at the start of a business may fade after the initial surge unless efforts are made to maintain some kind of strategic renewal, as suggested in Wankel (2008, p.13) and Jones and Tilley (2003, p.4). Further, whilst some

businesses are created simply to generate wealth; others evolve from the ideas or interests of their owners, exploiting their unique knowledge and enthusiasm by investing in a longer-term venture. To determine what sustains a small company, one must consider what motivates it.

Businesses are often regarded as small children by their owners, and as such, require nurturing. According to Pedler, Burgoyne, Boydell (1991, p.3), "*companies are first a product of the visions and images that their founders sought to create*". There are strong sociological and psychological factors that drive entrepreneurs to create new enterprises, and a new business 'baby' is often their prime focus. However, like any child, it needs help to develop, and it is often at this point when the growing company requires other skills; i.e. for when the 'baby' starts to walk! This is when the 'managed change' process gets underway. Sedaghat (1994, p.37) labels the change motivations as 'felt need', 'precipitating factors' and external 'pressures', and in considering possible models for change management, identifies tools such as 'Business Process Reengineering' as a "*planned approach to managing large-scale radical change*" in organisations. The scale does not necessarily need to be large, nor the degree radical; what is important is that the 'consideration of change' is understood and controlled, especially when a company reviews its capability and ambition for the future.

As well as the internal and external factors that trigger change, businesses often have a momentum of their own, with return on investment the usual goal. This is only achieved by remaining competitive. If the market conditions call for a business to change, then it must react. If new technologies or methods arise, they too create opportunities that motivate. Finally, if organizational, financial or regulatory factors come to bear, these are similarly motivational. Motivation is the engine of a business, its fuel being its ability to sustain its advantages over its competitors, i.e. to remain competitive. Competitiveness, in itself, is concerned with long-term aims, but these are only achievable if what it takes to be competitive is also understood (Man, Lau and Chan 1999, p.125). The literature often distinguishes between entrepreneurship and competitiveness, as the former relates to individuals, and the latter deemed a function of process. Yet it is evident that in a successful business, the two are inter-twined and inseparable. Competitiveness is the by-product of motivation and entrepreneurship.

2.3.4 Entrepreneurship

Owner / managers possess some degree of entrepreneurship by virtue of the fact that they have established a new business. However, this does not necessarily make them entrepreneurs. People who start small businesses generally stay within their comfort

zone, sticking to what they know. They are often reluctant to diversify, despite opportunities to do so, and it is this characteristic that distinguishes owner / managers from entrepreneurs, and the types of businesses they operate. Penrose (1995, p.31) observes “*entrepreneurial services are those contributions to the operations of a firm which relate to the introduction and acceptance...of new ideas, particularly with respect to products, location and significant changes in technology, to the acquisition of new managerial personnel, to the fundamental changes in the administrative organization of the firm, to the raising of capital, and to the making of plans for expansion, including choice of method of expansion*”. The entrepreneurial services are thus distinguished from the managerial services, the latter being considered “*administrative execution arising from the entrepreneurial decision-making process*” (Penrose 1995, p.32, p.182).

For the entrepreneur, there is always scope for inspiration. The unexpected is welcome, and any unforeseen failure or success they discover is considered an opportunity. There is almost something predatory in their nature, motivated to seek out and exploit any incongruity between ‘what is’, and ‘what should be’. A positive attitude to risk is another distinguishing factor, and innovation / new knowledge are catalysts to launch new enterprises or liberate tired ones. Zimmerer and Scarborough (2008, p.13) summarize this, suggesting that whilst creativity and innovation are the required drivers for starting or expanding an SME, ideas alone are not enough, and approach to risk features significantly. Without motivation, the business remains with only aspirations; entrepreneurs act upon their ideas! (Zimmerer and Scarborough 2008, p.5).

2.3.5 Competition and Competitive Advantage

The International Council of Small Businesses (ICSB) holds conferences on enterprise, management and business, with papers presented on the global and national issues facing companies large and small. In the following extracts from 1999, Capaldo and Raffa (1999, p.75, p.53, p.62) link the themes of competition, entrepreneurialism and strategic planning as being essential to developing SMEs: -

- Small businesses need to adopt an entrepreneurial strategy / approach (ICSB 043: Lazenby).
- SMEs should seek market niches...even though bigger firms – who may have neglected these niches – may try to wrestle the niche away from the SME (ICSB 007: Lim, Lee & Tan).
- Financing for SMEs is difficult...banks have poor risk assessment tools, so are often unwilling to finance SMEs (ICSB 022: Arnold & Holmes).

In addition to motivation and entrepreneurship, the SME must be enterprising. According to Penrose (1995, p.33), *“enterprise can be taken to be the psychological pre-disposition on the part of the individual to take a chance in the hope of gain; to commit effort and resources to speculative activity”*. Enterprise blends the skills of the entrepreneur, manager, planner and marketer, inspiring new products and services. In shaping or growing a small company, it creates that essential ingredient required for any business to succeed; advantage differentiation or competitive advantage. Without this, a company has no edge over its rivals, tends to follow the market trend rather than lead it, and ultimately has no control over its own destiny. As discussed in 2.3.2 Types of Growth, controlled growth allows a company to react to its environment whilst choosing its own longer-term goals. A strategic plan thus establishes the steps that will enable the company to evolve, providing the route-map to the future profits generated by increased competitive differentiation and desirability to the client base. Strategic planning is, therefore, the starting point from which a company’s competitive advantage is attained, and is also the means by which it achieves it.

2.3.6 Organizational Development

If strategic planning is the prime tool for an SME to achieve competitive advantage, then resources are the key drivers to its effectiveness as an enterprise. As such, these should always remain central to any planning considerations, as they are the constants upon which a firm can establish its identity, and the basic sources of its profitability. An understanding of the relationship between a firm’s resources and its capabilities will enable the SME, when approaching new markets, to undertake strategic planning that will yield sustainable competitive advantage (Grant 1991, p.115, p.116). This underpins the theme that controlled growth and structured development are core business management principles. In exploring how organizations evolve, Harvard Business Review (2002, p.64) discusses the externally driven ‘drastic’ and the internally driven ‘evaluation / adaptation’ approaches that often trigger change. In responding to such triggers, owner / managers have to see their company holistically, evaluating internal and external forces against their own ambitions for the future. Koontz, O’Donnell and Weihrich (1990, p.4) write *“managers cannot perform their tasks well unless they have an understanding of, and are responsive to, the many elements of the external environment – economic, technological, social, political and ethical factors that affect their areas of operations”*.

The main obstacle to controlled growth within an SME is time. Short-term pressures and day-to-day responsibilities make time a precious commodity, yet without ‘thinking’ time, a company cannot plan. The key output of managed time is Organizational Development, defined as *“planned change that takes a systems approach and makes extensive use of*

collaborative techniques to both solve the immediate problem and leave the organization in a more competent state to handle future challenges” (Rothwell and Sullivan 2005, p.XXV). Organizational Development (OD) has a distinguished pedigree, its benefits having been identified as far back as 1893 (Frederick W. Taylor’s ‘scientific management’ by task simplification, and Kurt Lewin’s 1946 conclusion that companies benefit from the encouragement of teams, achieving more through realistic goals and management motivation (Rothwell and Sullivan 2005, p.83-85)). Therefore, for companies to prosper – particularly SMEs – their structures must reflect the optimum efficiency attainable for their product or service. OD enables this to occur.

The literature offers considerable information on the possibilities of OD, relevant examples being Bokeno (from Wankel (2008, p.424), Rothwell and Sullivan (2005) and Houston (1999)). In recognising its advantages, one must understand that a company’s products and services drive the commercial goals set for the business, and its ability to compete effectively in a given market depends upon the cohesion within the business. In their above definition of OD, Rothwell and Sullivan (2005) emphasize the words ‘planned, change, systems, collaborative and competent’, as representing the functional elements of organizational development, without which competitive advantage cannot be achieved.

2.3.7 Planning Change

“If you don’t know where you are going, any road will get you there!”, so wrote Lewis Carol in Alice’s Adventures in Wonderland. Never has this been more true than in business management, particularly when companies – especially small ones – approach new markets. Planning is the thread that links motivation, enterprise, entrepreneurship, competitive advantage, organizational development and change management, and is at the very heart of successful and sustainable company growth. It is that balancing of reasoning and creativity that ‘joins up’ the decision processes within a company (Grant and King 1982, p.5). But what is planning?

According to Koontz, O’Donnell and Wehrich (1990, p.45), planning equates to the mission, objectives and actions resulting from the decisions taken when considering alternative future courses of action. In other words, owner / managers should examine all the options available to them before selecting a course to pursue. Rothwell and Sullivan (2005, p.15) state *“in today’s market place, change is a requirement for continued success”*; firms must therefore consider the longer-term impact of the changes they bring about. Kargar (1996, p.20) suggests *“strategic planning promotes long-range thinking, reduces the focus on operational details, and provides a structured means for identifying and evaluating strategic alternatives”*, a view supported by Woods and Joyce (2003,

p.182) who offer “strategy, which may be formally defined as strategic objectives (or strategic direction) plus strategic plan for how to achieve the objectives, is itself a set of beliefs about how a firm can be successful or more successful”.

The literature consistently asserts that change cannot be rigid, and companies must regularly review their approach. Strategic planning in SMEs, therefore, promotes long term and lateral thinking, its aim to provide space to grow and contingency to survive events within the change experience (Wankel, p.73-80). Whatever change method is adopted, its’ implementation must allow for that change to be both sustained and sustainable (Holman, Devane and Cody 2007, p.60). In functional terms, planning is essentially a written down method with structure and purpose by which progress can be promoted and monitored. If ‘what gets written down gets measured’, then ‘what gets measured gets done!’

In consideration of what type of planning best suits, the literature points to a systematic approach, generally referred to a Strategic Planning System (SPS). This is a sequence of ‘tools’ used to analyze the available options and identify the best method for the long-term performance of a company (King 1983, p.266). These tools might typically include the ‘adaptive search method’ (Ansoff 1987, p.45), the ‘matrix screening for marketing’ approach (Grant and King 1982, p.45) and the ‘critical success factor’ rating calculations (Barrow, Brown and Clarke 1995, p.149), among others. The application of a SPS should be evaluated in terms of its likely effectiveness, impact, worth, efficiency and performance, based upon existing capabilities, acquirable resources and likely market impact. Section 2.3.8.3 Tools and Techniques outlines more of the prominent tools, these utilized individually or combined within the SPS.

2.3.7.1 Short-Term Considerations

Time has already been identified as an essential resource. Time to manufacture, being first-to-market, time-efficient planning, or simply not having enough time (Rothwell and Sullivan 2005, p.13); for small companies, the effective use of time is highly important. Time management is a tool that can relieve the pressures brought on by short-term issues, but is something of a balancing act, shared between the pressures of now and the possibilities of the future. Gray (1991, p.5) states “*the problem {of time} is usually {made} worse because many small business owners have a tendency to take on too many tasks and try to control the detail of other people’s tasks*”.

If future planning is to receive sufficient consideration, then structures and processes must be in place to accommodate the day-to-day issues of business administration.

Short-term issues are likely to be events-led, for example, unexpected capacity issues, a sudden staffing crisis, or credit / cash flow problems. These clearly require attention, but the existence of efficient operational procedures and suitably skilled resources should otherwise cope with these short-term considerations, freeing the owner / manager to engage with the challenges of organizational development. Again, this is a function of strategic planning; identifying potential weaknesses and formulating contingencies.

2.3.7.2 External Triggers

Legislation, market trends and competitor activity all serve to cause a company to reflect upon its market position. These are occurrences the company has not created but must react to. They can prove to be both burden and opportunity since, in dealing with them, a company is forced to respond, strengthening it in the process (Wankel 2008, p.13). Unplanned growth can be included as an external trigger (see 2.3.2 Types of Growth), as can market research data. *“Market research is important in order to learn about external opportunities and threats”* and *“better performing organizations will exhibit greater market research competence in their strategic planning system”* (Veliyath and Shortell 1993, p.364). Therefore it plays an important role in helping a company define for itself what type of business it aspires to be, and who its customers really are or should be.

Unpredictable commercial events (stock market crashes, recession, surges in commodity costs, etc.) may also trigger change. For example, when banks refuse development loans or credit, a company cannot invest and expand; during low trading periods, this can lead to crisis. Securing enough funds to stay afloat becomes critical, and this extends to bad debts squeezing cash flow, particularly when those bad debtors go into receivership. When such financial pressures arise, other solutions may be required. Examples include venture capital investment, merger with another company, or the outright sale of the business. External triggers are very difficult to plan for, but what is clear is that financial contingency forms a key part of a coherent business strategy.

2.3.7.3 Internal Triggers

Other unexpected factors might include changes to key personnel, development of a new process, or an original invention that offers previously unforeseen potential. As with external triggers, internal triggers can also have both a positive and negative impact on an SME. Grant (1991, p.116) *suggests “when the external environment is in a state of flux, the firm’s own resources and capabilities may be a much more stable basis on which to define its identity”*. In considering Organizational Development, he concludes

“a definition for business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs that the business seeks to satisfy”. This more inward looking approach has merit. Some companies manage to create their own competitive advantage by exploiting internal capabilities, for example, the Honda motorcycle company, transposing its R&D expertise to car engines with great success. Whilst highly applicable to larger corporations, the process of evaluating and understanding ‘what you do best’ is also relevant to the growth planning of a small business, and it can be argued that positive internal triggers should be actively sought as part of the strategic planning process. Therefore, as with external triggers, good strategic planning will encourage critical internal risks to be considered and accommodated.

2.3.7.4 Management / Structural Considerations

Drucker (1999, p.5, p.47) asks a fundamental question: *“what is it to manage a business?”*, suggesting *“it is the customer who determines what a business is {or} what the customer is satisfied by when he purchases”*. Grant (1991, p.116) offers that business motivation is dictated by the terms of the served market and the needs it is attempting to serve, whilst Plant (1987, p.11) defines managing as *“taking control of and shaping direction, then influencing in some way the outcome of change”*. So what is management, and how does it lead companies to success?

In 1999 and again in 2004, a study on Global Leadership and Organizational Behavior Effectiveness (GLOBE) investigated common traits or ‘universally endorsed attributes’ from across sixty-one cultures worldwide that constituted desirable qualities in management. Included among these were positivity, motivational, inspirational, dynamism, communicative and decisiveness (House, R. J, 1999, 2004, as discussed in Wankel 2008, p.275). Houston (1999, p.11) suggests it is the management rather than the change itself that is most critical to a successful change process. Those tasked with changing a business must address issues of authority, process and leadership, their principal task being to shape the business as it stands into what it will become. Molden and Symes (1999, p.126) describe leadership as *“an activity, and one which requires an alignment of action with the attitudes and purpose if the desired results are to be obtained”*, whilst Harvard Business School (2004, p.164) stresses the need for leadership to demonstrate clarity of purpose in achieving the new objectives.

Growth in a small company encourages cultural change in the management as it moves from an informal style to a more strategic style, and this often includes the employment of new management staff and procedures. Concentration transfers from the operational activities concerned with existing markets towards the products, services and strategic

necessities of changing as an organization. This occurs so as to meet the requirements of the future customer base, in order to remain competitive (Woods and Joyce 2003, p.181). Clearly the decision-making approach as well as the composition of the management team is vital, since organizational and strategic processes are underpinned by management cohesion, and the choices made in response to the prevailing conditions (i.e. long-term goals, internal and external triggers, etc.). Strategic planning can only be successful if properly implemented (Veliyath and Shortell 1993, p.361), and this is a communication and objective-setting function of leadership. Slatter and Lovett (1999, p.23) assert that *“maintaining the status quo is not what management is about, and many companies get into trouble because managers are simply not managing. Management is about change. Constant change is about survival”*. Management, therefore, is about getting things done; proactively where possible. It essentially predicts, organizes, motivates and controls, utilizing the resources available to create the conditions for achieving a given policy or objective, by way of a plan.

2.3.7.5 Resources

According to Grant (1991, p.119), there are six major resource categories: financial, physical, human, technological, reputation and organizational. Capabilities, however, are considered to be something less easily defined, owing to the more complex relationships that exist between resource types, and their combined capacity to undertake a given activity. Grant (1991, p.122) goes on to state *“a key ingredient in the relationship between resources and capabilities is the ability of an organization to achieve cooperation and coordination within teams”*. This introduces powerful concepts that are at the heart of successful strategic planning and change management.

Whatever factors are driving a company's need for change, an analysis of its resources will enable the owner / manager to address the strengths, weaknesses, opportunities and threats accordingly (Barney and Clark 2007, p.50). Firms who purposely build upon their resources and encourage innovative interaction can stimulate the creation of capabilities and procedures that then allow them to better compete (Siqueira and Cosh 2008, p.116). However, a company should seek change based upon an assessment of its capabilities, as its potential is only realised when it uses its resources to create and implement strategies to help it deal with the driving factors (Barney and Clark 2007, p.226). The firm's skill set is therefore highly influential. There is a relationship between employee skills and business performance at all levels. Prahalad and Hamel (1990, 1994) and Man, Lau and Chan (1999) discuss this in terms of 'core competencies', and some understanding and measurement of these is necessary to help a company develop its skills base and capabilities for long-term competitive success. Boam and Sparrow (1992,

p.17) define competency as *“the set of behaviour patterns that the incumbent needs to bring to a position in order to perform its tasks and functions with competence”*, and suggest that metrics applied to competency can assist recruitment, career development and strategic planning.

Researchers in the field of business development have sought to connect the impact of strategic planning, competitive advantage, and human resource usage within companies. It makes sense that these are intertwined, and that some kind of ‘holistic’ planning approach would best enhance the chances of successful change management. Therefore, in proposing a resource-based approach, Grant (1991, p.116) aptly summarises that *“internal resources and capabilities provide the basic direction for a firm’s strategy”*, adding that *“resources and capabilities are the primary source of profit for the firm”*. The utilization of core competencies in harmonizing streams of technology and organizing work and delivering value (Prahalad and Hamel 1990, p.82) is thus an essential objective.

2.3.7.6 Cultural Considerations

Sedaghat (1994, p.22) warns *“some companies cultures embrace change; others try to kill it...a high proportion of change efforts fail”*, a surprisingly common theme in the literature. Culture can be defined as *“what lets people know what is acceptable behaviour in terms of working practice”* (Barrow, Brown and Clarke 1995, p.105). Some companies have a disciplined culture, others do not. By necessity, a degree of process and method is essential for a company to fulfil its purpose, and their impact on its culture is significant to how it develops; in extreme cases, culture can be the cause of both its success and its failure! Blanchard and Johnson (1996, p.34, p.44) refer to a need for clear goals, empowerment, and recognition of things done right, instead of just criticism for things done wrong. Culture is thus a product of the working environment and the relationships existing within it. The Harvard Business School (2002, p.64) discusses the intricacies of teams, citing examples of how organizations change by ‘drastic action’ or by ‘considered adaptation’, how dedicated teams can go wrong, and why seemingly good companies go bad. Clearly then, culture and change are linked.

Change is often mistaken as being simply a matter of process, but perceptions are also crucial, especially those held privately. Definitions of success are important in establishing what is essential, desirable, and achievable, according to Smith (2002, p.80), whose research indicated that *“many change efforts are a combination of different types of change, and this complexity may account for some of the difficulty in managing change”*. Perhaps, therefore, it is wise for *“more attention to be attached to an*

organization's ability to adapt to changes that are occurring and will occur in its environment" as suggested by Kargar (1996, p.21). Houston (1999, p.5) cautions that *"change requires a positive response in difficult or unfamiliar circumstances; nobody likes it and most avoid it"*. When change is introduced – or even discussed – there are often fears; some rational and factual, some irrational and emotional, and some simply prejudiced because change pushes people out of their comfort zone. Some employees, when faced with changes in a business, react as though bereaved, and effectively grieve for what has or will soon pass (Jeffreys 1995, p13 and Harvard Business School 2009, p79). Others – including those tasked with implementing the change – will offer genuine support and enthusiasm, whilst a few will show superficial support underpinned by a reluctance to get involved (Hussey 1995, p36).

Resistance to change must be understood and addressed at all levels by openly communicating plans, understanding concerns, and listening to suggestions (Houston 1999, p.41): This is a function of leadership. Resistance will likely always exist, and occurs in two main ways, i.e. systematic and behavioural; these respectively being either cognitive or emotional (Plant 1987, p.19). SME owner / managers in particular must recognize the impact of change on their companies, since their small size often means that close personal and social interactions significantly influence the company's culture. Attitudes and culture are intrinsically linked, and within the SME, will strongly impact the success or otherwise of any proposed change programme. The change agent will need to accommodate this, and some form of simple yet honest analysis is useful to all concerned. The newly introduced products, services and processes will trigger a mix of human responses, and so an 'action planning' approach (Rothwell and Sullivan 2005, p.295-298) serves to assist implementation of the change or organizational development process.

Training is also important, both in the functional skills and the broader understanding it brings. A company that has a 'learning' approach recognizes that its resources can contribute to its regeneration (i.e. core competencies), and such a strategy can allow for longer term flexible business plans that adapt along the way; enabling the company's culture to develop in step with the planned change (Pedler, Burgoyne, Boydell 1991, p.18). Finally, it is worth noting that, according to Wankel (2008, p.424), changing a company only works if one can change the people working within that company successfully. Houston (1999, p.11) agrees, suggesting that in enhancing the culture, capability, and communication of its staff resources, the company can improve by way of a 'change agenda' its overall effectiveness, and hence implement the desired change more coherently and with improved chances of success.

2.3.7.7 Process Considerations

According to Scheer, Abolhassen, Kirchmer (2003, p.17), *“a business process is based upon a specific organizational structure, a clear definition of relevant functions and data; it can be controlled and can be illustrated clearly”*. Total Quality Management (TQM) and Business Process Reengineering (BPR) are typical tools applied to improve the competitiveness and efficiency of businesses by examining the ‘cause and effect’ of change in relation to the longer-term requirements of the customer. Sedaghat (1994, p.37) and Rye (2001, p.21, p.27) discuss these tools in the context of the relationship between change, organization and culture that must be considered in the planning and procedural execution of change.

The deliverance of ‘quality’ and the processes that ensure it are central to the aims of strategic planning; after all, a company that has low standards of production or service will not establish a good reputation, or a solid client base. Yet, quality is a subjective term representing different things to different people. Without a benchmark or standard to refer to, there is no definition as to what is acceptable, and this impacts the business planning decisions that enable the differentiation of a firm’s products or services from its competition (Porter 1998, p.124). Established regulatory quality standards exist to reconcile these issues, and compliance can help promote a company, and allow it to meet pre-requisite requirements, such as for military tenders, etc.

The change process is neither easy nor immediately rewarding, since it *“predictably takes time, costs money, and immediately causes a fall-off in productivity”* according to (Barrow, Brown and Clarke 1995, p.272). For it to be successful, removal of the employees’ commitment to the current ways of doing is an essential interim stage, and preparing them must occur before the actual changes are introduced. If every business is the sum of its parts, its functional activities constitute the links in the value chain (Porter 1998, p.58) that delivers its competitive advantage (Barney and Clark 2007, p.24, p.25). Process, therefore, is the sequencing that enables efficient activity.

2.3.7.8 Fiscal Considerations

Since the 1971 Bolton Report, the UK Department of Trade and Industry (now the departments of Business Innovation and Skills and Business Enterprise & Regulatory Reform) has treated SME innovation as crucial. Pro-active policies ranging from small business taxation and bureaucracy, through to intellectual property rights and the availability of start-up grants (Siqueira and Cosh 2008, p.132) has affirmed its belief that innovation and competition are essential to the UK’s position within the global economy.

Stanworth and Gray (1991, p.14) point out that with the correct support from government, SMEs can thrive despite the prevailing economic pressures and administrative problems faced by large corporations who have inclined towards specialisation, selling off subsidiaries to reduce costs and focus upon their core business. The post-Bolton entrepreneur continues to take advantage of the healthy array of funding options available to exploit opportunities, aided by the further expansion of the European Union and a relaxing of its trade barriers.

In discussing fiscal development, Barrow, Brown and Clarke (1995, p.67) suggest three measures of growth; turnover, profit on sales, and headcount. Of the measures of profitability achieved from growth, return on investment via stocks, dividends or cash plays a strongly influential role. All companies require financial support to develop, and all investors expect a return. As discussed in 2.3.7.2 External Triggers, access to funds is therefore essential in order to respond to internal and external change triggers, and strongly influences the method and speed at which a growing SME may exploit opportunities or penetrate new sectors. Thus, fiscal strategy must feature significantly in any plans for diversification or growth. Financial investors will consider the '5 C's of credit': capital, capacity, collateral, character and conditions when evaluating the creditworthiness and credibility of expanding businesses (Zimmerer and Scarborough 2008, p.149). Therefore, a fully costed strategic business plan is vital to both the SME and the investor, acting as a measure of how the business might evolve.

Finally, as well as spending, the plan should also include market impact, this being carefully monitored to ensure that the product / service portfolio remains consistent with the demands of the sector (in order to achieve and maintain competitive advantage). It should be noted, however, that within the overall strategic planning process of small firms, financial performance alone is not the primary driver for, nor sole indicator of the effectiveness of a planning system (Kargar 1996, p.30), and the overall success or failure of a change management programme cannot be measured just in terms of turnover, as turnover by itself does not make a company sustainable.

2.3.7.9 Markets and Marketing Consideration

"Marketing is the act of attracting a potential customer to your business, sales is the art of converting your words into money", according to Webb and Webb (2001, p.141). A firm's relationship with its market is an important ingredient within its strategic planning, and in understanding that relationship, the company must consider the wants and needs of its customers (Cole 1996, p.255). Very often, a company allows the 'market' to drive it, be that in terms of volume, design or cost. The product, the market, and the company's

approach, therefore, form three sides of a triangle that determines its success or failure. Thus, an accurate understanding of the 'market' (customer needs and wants) supported by the correct 'approach' of the company (goods refined by user research) and placement of a 'product' (quality and price) will enable new goods and services to be successfully promoted to existing clients. This also applies to existing goods and services being promoted to new customers. To achieve this end, companies employ analytical tools to determine the correct marketing mix based upon product, price, promotion and distribution (Cole 1996, p.259, Baker and McTavish 1976, p.29).

SMEs without the budgets for market research and analysis will make marketing mix decisions based upon existing perceptions and knowledge of their trading environment, these being enhanced by the feedback of sales resources, or direct customer requests for alternative designs, functionalities or cosmetics. A small company can very often respond well to market feedback, despite its limited resources, and this is essential since *"the small firm is to an exceptional degree adversely affected by a combination of declining or static markets and technological or economic change"* (Merrett Cyriax Associates 1971, p.4). As SMEs present their products to existing and potential customers, they should consider both their market presence and competitive position. Kargar (1996, p.30) promotes the idea that *"external orientation is the most important contributor to planning effectiveness in small firms"*, the notion of 'keeping one eye on the enemy' is vital to organizing its resources and tactics. This is supported by Veliyath and Shortell (1993, p.366), in respect of *"new product-market opportunities where early entry is the key to deriving competitive advantage and subsequent success"*.

How a company portrays itself and its products is important. Perception and reputation – even if not always accurate or fair – can significantly impact a company's success, and this is one reason why large corporations go to considerable lengths to influence their target customers, by way of advertising and promotion. As well as quality and reliability concerns, trends and fashion play an important role. For example, the current pursuit of corporate 'green' credentials has arisen because environmental concerns have been demonstrated to significantly influence consumer behaviour, and consequently business strategy. Thus, marketing considerations should feature in the selection of new products, services and markets. Research *"findings...indicate the importance of an interaction between capabilities and innovation for competitive advantage"* (Siqueira and Cosh (2008, p.133). Marketing drives sales: sales drive success!

2.3.7.10 Product / Service / Market Selection

The sub-sections of 2.3.7 Planning Change serve to prompt awareness and reflection for

SME owner / managers considering change. Recognition of these should aid the decision-making process, and facilitate the strategic planning and organizational development that deliver diversification and growth. Critically outstanding is the actual selection of products, services and markets that will provide the vehicle for the change process. At this point, the following should have been considered; customers – today and future, competitors – today and future, sales margins – maximizing, and channels to reach client base, these underpinned by the skills and capabilities necessary to service the client base – today and future. What remains are the products and markets, for today and for the future (Hamel and Prahalad, 1994, p.16).

If the triggers for the change are understood, and the market research and self-assessment have been comprehensively undertaken, the change agent will be clear as to what the new opportunity will be, and whether or not it will drive or follow the market. In auditing the proposed competitive environment, its inherent characteristics along with the strategies of competitors can be mapped out as part of the SPS (Baker and McTavish, 1976, p.55). The evaluation process determines good fit, and if this indicates that the proposed product or service is commercially viable, then the route to its competitive advantage will be also be identified. Hereon, the SPS can switch focus onto practical matters such as implementation, contingency and fiscal management.

2.3.7.11 Longer Term Considerations

Failure to create an effective long-term strategy often results in a company becoming 'stuck'. If other companies within the sector are also 'stuck', there is no net leader, as none have any significant competitive advantage. As a consequence of this enterprise inertia, there are opportunities for new entrants to the sector – or for existing players – to 'steal a march' by creating their own competitive advantage (Porter 1998, p.16). The need to revise portfolio and / or approach new markets is a continuous challenge requiring constant attention. Firms need to adapt persistently to ever-changing circumstantial conditions and triggers to ensure progress and growth; to the point whereby some form of 'strategic renewal' process should be inherent within the management culture of the firm to prevent stagnation and the loss of ground to competitors (Wankel 2008, p.13).

Long-term strategic plans should, therefore, recognize and accommodate a need for proactive and continuous change. Sustaining enthusiasm, discipline, momentum and innovation are vital to successful change management. Veliyath and Shortell (1993, p.361) report *"an important determinant of the effectiveness of the planning process is the follow-through and implementation of strategic plans"*. This conclusion arose from

research into the practical execution of Strategic Planning Systems whereby adaptability to changing circumstances is monitored and reviewed as situations arise (King 1983, p.273). Like all effective planning tools, SPS are a dynamic element of the long-term evolution of the company, enabling change and the achievement of competitive advantage, which, over time, can otherwise become eroded through the depreciation of its hard-gained resources and capabilities, or the inevitable imitation by rival companies, as cautioned by Grant (1991, p.123). The rate at which the resources and capabilities dwindle, or the speed at which the competition recovers ground, will define the longevity of that firm's competitive advantage. To withstand the decline, the firm either has to find other products to market, or accept that its competitive advantage has been lost, and when faced with this situation, it should seek to change once more to regain its momentum, and sustain its chances of commercial survival.

2.3.8 Change Implementation and Change Management

The term 'managing change' was contrived in 1950's and has come to mean "*the continuous process of aligning an organization with its market place*" (Rothwell and Sullivan 2005, p.17). According to Buchanan and McCalman (1989, p.204-206), change is either cyclical, or a state of perpetual transition; a view supported by Rye (2001, p.6) who considers change to be a 'process' and not an 'event'. He deems it 'adaptive' if driven by external factors, or 'directive' if driven by internal factors, suggesting a relationship between the possibilities for change, and the firm's culture that determines its degree of success or failure. This is an argument supported by Kollmann and Stöckmann who assert "*firms need to adapt persistently to ever-changing environmental conditions to ensure progress and growth. This kind of 'strategic renewal' prevents stagnation and competitors overtaking*" (Wankel 2008, p.13). Change is thus vital to avoid stagnation.

The combination of logical processes and techniques that support strategic decision-making "*involves an organization's most basic and important choices, the choice of its mission, objectives strategy, policies, programmes, goals and major resource decisions*", say Grant & King (1982, p.3). Achieving a balance between management drive, business imperative and collective ownership is important, as change is not just about products and markets, but also the company as a entity, and what it means to the individual to be a part of that entity. Simplicity is at the heart of successful change.

Recalling the learning approach (see 2.3.7.6 Cultural Considerations), a core part of the change management process will necessitate the acquisition of new skills and knowledge. Personal development must be structured, both in the technical aspects as well as the cultural aspects, as change agents will require the support of positive-minded

and informed staff. Competitiveness is long term and should be considered as a means to an end in improving the firm's performance (Man, Lau and Chan 1999, p.128). It has much to do with the company as a whole as well as its ability to continually reinvent itself or keep its enterprising edge.

Finally, change is the journey, not the destination, and what has worked in the past may not necessarily work in the future; the process of 'doing' must evolve. British industry is littered with the corporate corpses of businesses that either did not change quickly or sufficiently enough, or simply did not want to change at all. Examples include shipbuilding, motorcycle and car manufacturing, steel production, mining and clothing (Houston 1999, p.5-6). Even today, prestigious companies lack the focus, leadership and basic ability to recognize the need for efficiency. For example, The Royal Mail is such a company that needs to change, says it wants to change, yet cannot bring itself to do so. Despite a demand for its services, it still retains some of the management and labour failings that dogged British industry during the 1970's (see [1.1.1 The Path to Change](#)), appearing incapable of moving itself forward. Meanwhile, its very survival remains at risk.

2.3.8.1 Structure and Delegation

Successful growth and change in the SME requires a framework; i.e. definition of the staffing structure and responsibilities, statements of ownership boundaries, and details of reporting and support structures. Staff and operations should be organized in such a way that local decisions can be made by empowered delegates; the owner / manager can no longer 'make every decision'. Drucker (1999, p.224) is explicit in his 'management must manage' philosophy, advocating "*as businesses grow, the management structure must grow, devolving away from the owner / manager. This changes the spirit and culture of the company*". Stanworth and Curran (1973, p.159) support this view, arguing that "*unless the entrepreneur can master the new situation by delegating authority to specialists (thus relinquishing an element of his personal independence)...a quest for growth may be transformed into a battle for survival*". The growth process is implicitly linked to the change process! Therefore, in planning for growth, a firm should consider its existing resources, and also those resources it must obtain in order to carry out its expansion programme; the plans of a firm being bounded by its resources and the services they provide (Penrose 1995, p.85).

Veliyath and Shortell (1993, p.365) affirm the notion that successful change management is a matter of judgement not luck, whereby the involvement of key personnel in the planning process results in better performance, whilst Man, Lau and Chan (1999, p.125) point out "*the entrepreneur's demographic, psychological and behavioural characteristics,*

as well as his or her managerial skills and technical know-how are often cited as the most influential factors related to the performance of an SME". It is clear that if such characteristics are to remain an asset to the growing business, the delegation of operational tasks and a regime of self-regulation must exist to enable the entrepreneur to continue focusing on these inspirational elements. In discussing 'critical points of expansion', Penrose (1995, p.161) points out that management concentration moves from one or two people toward a structured approach focussed primarily upon business administration issues, with demarcation of responsibilities and decision-making. These tasks become specialized, and there is a noticeable or identifiable point when this occurs (or needs to occur).

If the role of the owner / manager must change from one of centrality to one of strategist, operational and sales orientated positions are created (Jones and Tilley 2003, p.35), and it is likely that this shift from centrality will happen before the planned growth occurs, as the SME realigns its strategic position. The introduction of formalised management tools and operational procedures will signal the emergence from 'business by chaos' to 'business by process'. Management of a larger and expectant work force as well as the core business will become necessary (Drucker 1999, p.224), and the emergent culture will require harnessing and channelling in order to deliver results and realize ambition (Rye 2001, p.6).

2.3.8.2 Mission and Message

Barrow, Brown and Clarke (1995, p.15-24) discuss early growth in small firms through a combination of leadership, direction, delegation, coordination and collaboration. They reason that formulated ideas need taking forward by way of planning, reinforcement, and the delegation of basic decisions that manifest themselves as processes. In other words, once the change strategy is formed, it alone is not enough, and collective buy-in is required. Clear communication that it is understood, easily followed by staff, and being both reportable and measurable in its objectives and goals is required, particularly if the internal or external factors driving change necessitate an urgent response. Buchanan and McCalman (1989, p.6) assert that in the modern business, *"management attention is now focussed on how to achieve speed and flexibility of response to changing markets...and rising customer expectations of quality, reliability and delivery"*.

This pressure to meet expectations must be carefully controlled to avoid adverse reactions that may damage the success of the change mission. All parties within the firm will need to focus their role in the change process, and all must understand the broader mission. The over-riding commercial imperative may revolve around competitive

advantage and how the new products and services might achieve this, but staff are more likely to comprehend the purpose of the change in terms of prosperity of the business, and the individual benefits that ensue. Huff, Huff, Barr (2000, p.22) argue that change management decisions intrinsically address economic (markets & competition), behavioural (structure, culture & resources) and cognitive (assessment) issues. The delivery of the 'mission message' should therefore be factual and concise, with the business imperative taking priority over all other aspects. However, an ongoing opportunity for staff to continue contributing to the change process – as it evolves – will help overcome some of the earlier discussed issues of resistance to company change.

2.3.8.3 Tools and Techniques

Change management methods can accelerate action, increase understanding, and deliver strategic direction. Results become more sustainable as empowered staff acquire task ownership, responsibilities, and the cultural benefits that result in increased loyalty, dedication, and an enhanced attitude towards doing things better (Holman, Devane and Cody (2007, p.6). The literature consistently stresses the need for thorough planning as the starting point, with a 'now, then, how and when' questioning approach. Useful methods and tools identified that will facilitate the process of change as part of a Strategic Planning System include: -

- 'Five Step' approach (Rye 2001, p.47-107): assess current situation, generate solutions, plan / implement change and build teams / develop individuals.
- Barrow, Brown and Clarke (1995, p.103) 'Benchmarking': against the standards for the sector including, staff and practices to get the best from resources whilst striving for excellence.
- Rothwell and Sullivan (2005, p.296) 'Action Planning': key stakeholders evaluate data, formulate the change plan, and develop an implementation strategy that defines roles and responsibilities.
- Webb and Webb (2001, p.18) 'mission pyramid': mission statement, declaration of company goals; statement of departmental goals and identification of individual objectives.
- Sedaghat (1994, p.37) BPR: *"the fundamental rethinking and radical redesign business processes to achieve dramatic improvements in critical, contemporary measures of performance {enabling a} planned approach to managing large scale radical change"* in an organization.
- Pedler, Burgoyne, Boydell (1991, p.1) 'learning company': *"facilitates the learning of all its members and continuously transforms itself"* using a combination of learning and experience to determine good process.

- Prahalad and Hamel (1990, 1994), and Zimmerer and Scarborough (2008) generally promote organizational core competencies, the latter stating *“in the long run, a company gains a sustainable competitive advantage through its ability to develop a set of core competencies that enable it to serve its selected target customers better than its rivals”* (2008, p.85).
- Barrow, Brown and Clarke (1995, p.25): ‘mission’, ‘objectives’, ‘tasks’ and ‘action plan’ pyramid.
- Molden and Symes (1999, p.93) ‘realignment’: clear roles and tasks, monitoring and feedback to achieve organizational identity.
- Barney and Clark (2007, p.70) ‘value chain’, ‘resource analysis’ and ‘VRIO test’ (value, rarity, imitability and organization): for determining the ‘fit’ of a proposed change. Analyzing the return potential of a particular diversification proposal, based upon what competencies exist now or must be acquired for success.
- Carnall (2003, p.3) ‘performing infrastructure’: A functional analysis of people, finance, marketing, operations and culture applied to determine ‘value adding factors’ within a firm.
- Gray (1991, p.4-124): assessment of timing, ‘present planning’, team & space, finances, strategy and ‘future planning’ to achieve growth in a business.
- Webb and Webb (2001, p.181) ‘SMART’ approach: ‘specific, measurable, agreed, realistic and timed’ task setting when implementing change.
- Incisive tools such as ‘marginal analysis’ to assess the impact of potential new products and ‘cost-benefit analysis’ for assessing best value and suitability / fit.
- Grant and King (1982, p.99, p.111): ‘environmental analysis’ as part of the change plan. Assessment of barriers to penetrating new markets using PIMS (Profitability Impact Marketing Strategy), a statistical comparison method for rating the competitiveness of other companies in similar industries / products.
- Effective ‘supply chain management’: Any ‘actor’ in the chain can significantly damage profitability, especially in unforeseen circumstances such as in material supply or sudden decline in market demand (Wankel 2008, p.408).
- Quality management systems such as ISO9001:2008: these instil disciplines and enhance tendering credentials pending a costs-to-return analysis. Capaldo and Raffa (1999, p.128) report *“much of the demands for ‘quality’ (e.g. the ISO family of standards) has been borne by SME’s driven by larger customers, despite their limited resources in adopting these”* (ICSB 123 Alan Brown).
- External finance. The ‘5 C’s’ and franchising / joint ventures / mergers for when the SME has to search for investment funding, new market catchment or a quicker access to technology (Zimmerer and Scarborough 2008, p.149, p572).
- Competitive environment audit: for establishing if a proposed product or service is a good fit for the SME (Baker and McTavish, 1976, p.55).

- 'Technology growth': design driven expansion has its risks as research & development is capital hungry, with no guarantee of a successful new product.
- Strategic alliances: Capaldo and Raffa (1999, p.66): as an entry strategy for SMEs to penetrate established markets dominated by major corporations. Wankel (2008, p.335) also discusses strategic alliances in terms of the 'vertical' benefits (those affecting the customer-supplier relationship), and 'horizontal' benefits (competitors working together).
- Penrose (1995, p.195) notes that acquisition and merger provide a quick route to expansion but come at a higher cost (money, process and the re-branding) for the new marketing that is required. Product or service 'diversification': is another approach relating specifically to the SME entering new markets outside its core portfolio.
- Barrow, Brown and Clarke (1995, p.190) advocate partnerships: 'business angels' and 'venture capitalist' investors provide funds and expertise.
- For some companies, flotation on the stock market can work as a source of investment (although often beyond the immediate cope for most SMEs).
- Finally, change monitoring tools such as the TROPICS formula: timescales, resources, objectives, perceptions, interest, control and source (Paton and McCalman 2002, p.23).

The change process can occur by any single or combination of routes. An external consultant can apply independent expertise in a 'whole company' manner, removing some of the them-and-us criticisms that often lead to resistance. However, SMEs are likely to task someone within the company, capitalizing on their knowledge and familiarity with its products, systems and staff, and also saving cost. Either way, use of a change agent provides focus, momentum and enthusiasm, and is considered a central and essential feature (Buchanan, Claydon and Doyle 1997, p.2).

2.3.8.4 Milestones and Monitoring

Maintaining 'strategic renewal' is challenging, chaotic and confusing, promoting uncertainty and resistance. The reactions of staff at all levels will be variable, and the purpose for change will need to be crystallized, its vision and focus continuously supported (Carnall 2003, p9). In introducing the examples of 'high performance work systems', Buchanan and McCalman (1989, p.ix) reported "*people first had to struggle and change themselves before being able to change their attitudes and ways of thinking*", stressing one has to "*manage the pain of change*", a caution indicating the difficulties associated with the task. Sir Michael Edwardes, former Chairman of the now defunct

motor giant British Leyland (1977 to 1982) is quoted as saying *“it is easier to lead a defence of the status quo than to lead people into something new with all the attendant uncertainties and the innate fear of the unknown which change implies”* (Barrow, Brown and Clarke 1995, p.243). In managing the ‘group norms’ and ‘club mentality’, Plant (1987, p.100-102) also recognizes the problems of change resistance, recommending that employee behaviour – both superficial and underlying – be monitored as well as performance in operational activities.

Section 2.3.3 discussed motivation, from which the SME must derive momentum. Without this, the change process will falter and fail. This implies that any change strategy plan should include milestones to enable ‘review monitoring’ of the company’s identified goals. Firms need a kind of route map in which they can agree upon, and have confidence in, before they undertake the change journey. Business planning must therefore be holistic, including a means for developing people and processes, as well as just products. Momentum remains key. Plant (1987, p.74) stresses the importance of continued management involvement at all levels, supporting the view that *“tomorrow soon becomes today and yesterday’s future is today’s reality”* (Hamel and Prahalad 1994, p.114). In discussing the management of change, Barrow, Brown and Clarke (1995, p.271) warn *“everything looks like a failure halfway through. It takes courage to stay with the vision during this period to persevere, to maintain enthusiasm and commitment”*. Visible milestones and communications of progress – particularly successes – will help sustain the change programme.

Successful change implementation demands similar disciplines to project management, with the added requirement to achieve human needs in addition to functional needs, i.e. social and emotional realignment as well as functional and procedural realignment. Milestones and monitoring are key to the change process; and success and failure criteria should be identified and contingencies plotted.

2.3.9 Controlling Growth

Further to 2.3.2 Types of Growth, the literature is clear that planned growth must be controlled, and the tools for doing so need to be installed early on, before the growth becomes unwieldy. In the same way as internal and external factors trigger strategic change, so these factors also influence the outcomes of that change. Gray (1991, p.1) identifies organizational design, goal setting and growth planning as tools to deal with the pressures that will come to bear on an SME’s time, resources, and resilience. Before growth can be controlled, it should be understood. Barney and Clark (2007, p.52) examine the obstacles to organic growth in terms of sustaining competitive advantage,

whilst Woodward (1976, p.114) and Biggadike (1979, p.103, p.108) consider the financial accounting and technical resources required for both existing and future product lines in respect of new ventures and markets.

Several sources illustrate growth in graphical format, demonstrating how inter-related components like turnover, size and product life cycles vary with time. Below is a generalized representation of these factors, adapted from the Open University's Small Business Programme (1990) but accommodating other variations including Baker and McTavish (1976, p.7).

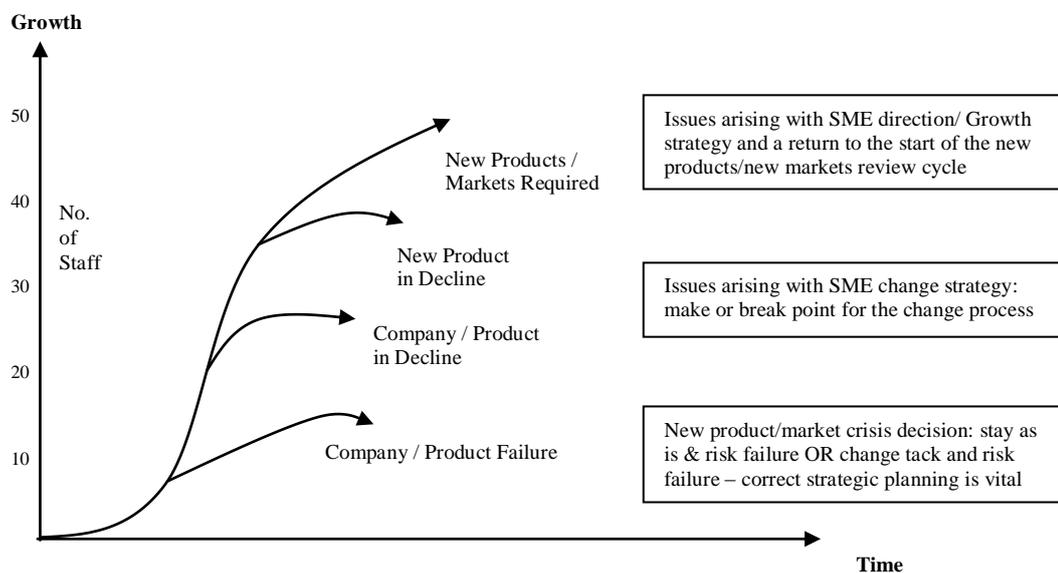


Figure 3 – Growth / Product Life Cycle Representation

Adapted from the OU Small Business Programme (1990) and Baker and McTavish (1976)

Maintaining sustainability is a continuous task. Businesses grow in stages. One of the compromises of SME growth is the loss of some of their unique capability, and hence some of their competitive advantage. Renewed strategic planning, controlled change implementation, and measured growth will provide the ambitious and outward-looking SME with a formula to sustain its ongoing cyclical development.

2.3.10 Failures in the Change Process

The first priority for the changing SME is to ensure survival. There are three reasons why SMEs fail in their strategic change ambition; their planning strategy is wrong, their

delivery strategy is wrong, or their cultural re-alignment approach doesn't function properly. The first two reasons are operational in nature, likely due to failings in the SPS, market research and staff development programmes. The third reason is more subtle. According to Robbins and Finley (1997, p.11), change is an act of imagination, and until the imagination is engaged, no important change can occur. This implies that companies who fail in their change ambitions do so because they fail to change their people. A company must work with human nature, and not against it.

In achieving a successful long-term change strategy, care must be taken to consider the reasons why organizational change fails, in contrast to why it succeeds (Smith 2002, p.68). A fundamental question is asked by Huff, Huff, Barr (2000, p.203): *"why do {some} firms within the same industry and operating in the same competitive environment adapt different strategic responses to changing environmental conditions?"*. Carnall (2003, p7) similarly enquires *"why do some change programmes succeed, and some fail...why do some companies achieve change quickly and some not at all?"* Why is one approach successful and another not? Paton and McCalman (2002, p.6) suggest that *"designing, evaluating and implementing successful change strategies largely depends upon the quality of the management team, in particular the team's ability to design organisations in such a way as to facilitate the change process in a responsive and progressive manner"*. They continue with the recommendation for an 'early warning' mechanism to assess the impact and magnitude of the pending and ongoing change (see 2.3.8.3 Tools and Techniques: TROPICS). Such an application can save the SME from either making the wrong initial decisions, or can aid its re-direction when the initial change programme goes astray.

Failure in the change process is a constant threat, and calls for perpetual re-evaluation of the risks and contingencies to identify and address weaknesses in the planning and execution as they arise (Wankel 2008, p.13). Pendlebury, Grouard and Meston (1998, p.3) observe that *"change is not a natural condition in business. Businesses are designed to work, not change"*. As well as internal reasons for change failure, external factors can occur at any time. Comprehensive strategic evaluation can address foreseeable problems by incorporating risk management and contingency into the planning (see 2.3.2 Types of Growth); another beneficial element of the SPS. One such critical external factor is the performance of the economy, both nationally and internationally. Recession can touch all countries, as in the case of the 2008 / 2009 global credit crisis, with far reaching implications for businesses of all sizes and in all markets. SMEs must consider the 'outside world' in their strategic planning, as longer-term growth objectives will need to be grounded in reality. Tight control of creditor and debtor status, along with regular reviews of funding options are part of the financial planning aspect of the SPS, where once again contingency and risk assessment play an essential part.

2.4 Themes Emerging From the Research

Significant emergent themes from the literature survey are tabulated below.

Table 1 – Themes Emergent From the Research

Theme	Author/s	Application / Useful for 'check-list' because:
Owner Managers	Drucker / Man, Lau & Chan / Woods & Joyce / Koontz, O'Donnell & Weihrich	Recognizing and acting on opportunities; understanding the business process as a whole
Types of growth	Penrose / Barrow, Brown & Clarke	How firms grow; steps to enable development;
Motivation	Stanworth & Curran / Wankel / Jones and Tilley / Sedaghat, Man, Lau and Chan	Types of motivation; managing and sustaining it; understanding what motivation is and its relationship with competitiveness
Entrepreneurship	Drucker / Web & Web / Zimmerer & Scarborough /	Enterprise in SME's; entrepreneurship in small businesses
Competition/Competitive Advantage	Barney & Clarke / Cliff Pratten / Grant / Jones & Tilley	Advantages based upon resource capability; innovating to change
Strategic Planning	Kargar / Woodward / Ansoff / W.R.King / Grant & King / Woods & Joyce / Drucker	Planning systems; corporate strategies; evaluating strategy; optimizing company management structures
Organisational Development	Rothwell & Sullivan / Smith /Hussey / Molden & Symes	Managing the change process; re-aligning business to achieve direction change
Leadership	Wankel / Houston / Barrow, Brown and Clarke, Huff, Huff, Barr	Impact on company culture, effectiveness and ability to change; planning, inclusions and the communication of ideas
Planning & Managing Change	Holman, Devane & Cody / Kerr, McNulty, Coutu / Porter / Jones & Tilley; Carnall; Colin Gray / Paton & McCalman / Rye / Huff, Huff & Barr / Pendlebury, Grouard & Meston / Robins & Finley	Direction; where we are now through to where we want to go and how to get there; things to look out for; the process and components to consider; methods of managing change; problems in the change process; how to overcome failures in the change process; controlling growth
Short and long term considerations	Rothwell and Sullivan, Gray / Porter, Wankel / Veliyath and Shortell / Grant, King	Time as a resource to be planned; stagnation and inertia; maintaining momentum and benefits of monitoring to maintain competitive advantage
Internal and External Triggers	Wankel, Veliyath and Shortell, Grant	Risk assessments and contingencies for possible events, with processes, resources and skills pro-actively considered and implemented
Management structure considerations	Drucker, Stanworth and Curran / Penrose, Veliyath and Shortell, Man, Lau and Chan / Jones and Tilley / Rye	Owner-managers cannot 'do it all', there has to be structure and empowerment to enable fluid decision taking; structure, growth and change are interdependent
Resources	Grant / Barney and Clark / Siqueira and Cosh / Prahalad and Hamel, Man, Lau and Chan, Grant	Resource influence on strategic planning and capability; coordination; SWOT analysis; identifying, developing and best utilization including core competencies;
Culture	Barrow, Brown & Clarke / Blanchard and Johnson / Harvard Business School / Kargar, Hussey / Rothwell and Sullivan, Plant, Pedler, Burgoyne, Boydell / Prahalad and Hamel	Relationships and the psychology of work; goals and attitudes; teams; reactions to change and resistance; planning for change and Organizational Development; core competencies

Theme	Author/s	Application / Useful for 'check-list' because:
Process considerations	Scheer, Abolhassen, Kirchmer / Sedaghat and Rye / Barney and Clark / Porter	Structure and definition of functions, roles and responsibilities; relationship between change, organization and culture; value chains; steps and decisions that enable differentiation and competitive advantage
Competency	Prahalad & Hamel / Man, Lau & Chan / Boam & Sparrow	Assessing and maximising resource capabilities within the company; methods for achieving competency

2.5 Literature Gaps

Chapter 4 – Company Case Study discusses the literature, identifying a lack of practical information within the knowledge pool. Despite the many management aids, self help handbooks, professional body publications and Government guidance, the absence of a suitable tool that meets the specific aims and objectives of the research question indicates a new opportunity. Much of the literature aims to educate the end-user, its thrust mainly to inform and advise. This is appropriate for students or suitably educated owner / managers with sufficient time and knowledge to study and apply what is learned, but is of little assistance to those under pressure to act more immediately whilst less well equipped. Should this gap remain unfilled, the case study company's experience could potentially be repeated by others like it, when undertaking a similar exercise. Further, much of the aforementioned literature that does lend some assistance to the SME seeking change, is in itself counter-productive, owing to its complex language, use of acronyms and off-putting text-based format. An easy to use, time saving, and graphical 'prompt-style' self-assessment style tool is one logical solution.

2.6 Summary

This chapter has identified key considerations impacting an SME seeking to approach new markets with new products or services. The change process is shown to require a mixture of planning, structure, investment and monitoring, with close attention paid to those contingency considerations necessary to combat the internal and external factors that might otherwise threaten successful growth. Implementing structures, processes and monitoring tools will help sustain the SME through the problems it is likely to encounter during the change transition. The use and constant review of an SPS aids this aim.

Chapter 3 – Research Methodology

3.1 Introduction

This research project set out to explore SME change, and in doing so, achieve the Aims created by the research question. The Primary Aim was to generate a practical check list, the Secondary Aim, to produce a strategic project plan and organizational structure for the case study company.

3.2 Methodology

The methodology chosen to address the research question was an in-depth literature review, using secondary data of a qualitative nature to inform a framework and check list. To assess the outcomes, the framework and check list generated were to be independently validated by a third party, with any changes subsequently incorporated.

The literature was approached in two parts. First, an initial survey explored the relevant sources, authors and publications that best suited the subject matter. Second, a detailed evaluation examined those key factors considered influential in the change management process. Previous work within the case study company contributed primary data (see 4.2.2 Case Study Analysis), the case study company acting as a comparator for the research outputs. In seeking 'good practice', an empirical approach was considered to be acceptable, being data or evidence based, or acting on observation, experiment or experience (Colliss and Hussey ,2009, p.8, Concise Oxford Dictionary). By selective use of secondary qualitative data and considered 'good practice', it was believed that the reference check list would evolve organically.

The initial research stage explored the quantity and quality of literature relating to the broad subject of business management, and revealed a wealth of material associated with modern management. It also provided support for the research methodology adopted: *"a review of recent small firm literature reveals researchers' emerging preference for phenomenological approaches to small firms studies that employ qualitative methods of collecting and analysing empirical data"* (Shaw 1999, p.59); a view supported by Colliss and Hussey (2009, p.8) whose interpretation of the term 'empirical' includes data based upon observation or experience. Shaw (1999, p.61) goes on to say *"qualitative research designs and methods of data collection and analysis have become increasingly popular with small firms researchers"*. The literature included academic papers, lecture notes, journals, and self-help books from a range of contributors including

academics, business consultants, institutions, and government departments. This material was highly variable in its relevance and usefulness, and this initial element of the research became bounded by the time available, highlighting the need for a filtering process. The case study method was, however, confirmed as an appropriate approach. Saunders, Lewis and Thornhill (2007, p.139) discuss the 'explanatory case study' as a good way to *"generate answers to the question 'why' as well as the 'what' and 'how' questions more common survey strategies"*. Robson (2002, p.163) supports this, affirming *"it is now considered acceptable for {said} research including business and management to be based upon qualitative data"* when proposing his 'Flexible Designs of Research' method of ensuring a rigorous framework of assumption based upon the analysis of experience.

The detailed research stage developed in line with the flexible design research method described by Robson (2002, p.547) as *"a research strategy where the research design develops (emerges) during the process of data collection and analysis"*. He makes reference to the gathering of qualitative data, a term described by Colliss and Hussey (2009, p.143) as *"transient information understood only within context and associated with an interpretive methodology that usually results in findings with a high degree of validity"*. This detailed stage aided the selection of suitable search tools and publication sources, allowing in-depth evaluation and filtering of the literature into final specific topic areas. Appropriate cross-referencing enabled further scrutiny of the ideas and arguments deduced, providing academic rigour and depth of understanding for the research outcomes.

Re-occurring ideas that suited the needs of the case study company were identified as potential components for the Primary Output, and further consideration of their merit was made by purposeful searches for conflicting points of view or contrary recommendations. Finally, as sourced materials ranged considerably in date, older proposed good practices were compared with more modern examples for consistency and interpretation. Some ideas were considered relevant only to their point in time, whilst others occurred regularly throughout the literature timeline, indicating their popularity or dependability as good practice methods.

The outcomes of the research required verification by way of worked examples – real or contrived – so as to demonstrate their practicality and usefulness. The testing confirmed the research question had been answered, therefore achieving the Primary Aim. However, in the course of its development, the single check list originally anticipated evolved into a sequence of check lists, these to be used in conjunction with a newly identified flow chart designed to guide the end-user through their individual change process. It should be noted that at all stages of the research process, the unit of analysis

– i.e. the case study company – was constantly referred to so as to ensure the relevance and applicability of the Primary Output. Thus, the initial primary quantitative data already gathered, served to guide the research in respect of its goals.

Gaps identified in the literature, and ideas for future research are discussed in [2.5 Literature Gaps](#) and [6.5 Areas for Future Research](#) respectively, whilst results affecting the case study company are discussed in [6.4 Useful Insights for the Case Study Company and Other SMEs](#).

3.3 Tools of the Research

The tools used to explore the research question are listed as follows: -

- The University of Bedfordshire's library research database.
- The British Library Integrated Catalogue.
- Cranfield University Library.
- Web-based research tools/publications, e.g. ISBJ, ISPI, Emerald.
- Institution of Engineering Technology (IET).
- Documentation already gathered from the case study company.
- Commercial business support facilities.
- Industry resources & publications, e.g. peer contacts from industry.
- UK Government Departments for Business, Innovation & Skills (BIS) and the Department for Business Enterprise & Regulatory Reform (BERR).

Identifying and utilising these tools demanded different research approaches. University libraries offer catalogued stock and document exchange networks for sourcing texts in hard copy and electronic formats. Materials obtained through professional institutions such as the IET, or via internet-accessed organizations such as Emerald are excellent, although subscription or membership fees often apply.

3.4 Summary

This chapter set out to explain the choice of research method and materials to be applied to the research question posed. The use of qualitative data and perceived good practice from secondary sources was shown to be an acceptable approach, and previously collected primary data from the case study company could serve as a comparator.

Chapter 4 – Company Case Study

4.1 Introduction

This research was instigated by the business growth requirements of the case study company. A recently appointed Operations Manager was tasked with developing this mature SME by introducing further products and services into new markets. In assessing the existing competencies of the business and planning a strategy for its expansion, procedural and cultural changes were recognized as necessary in order to succeed. To aid the process, an attempt was made to source an appropriate reference tool that was relevant, practical and concise. It became apparent that there were no relevant guides appropriate for the company in question.

4.2 Company Assessment

The case study is a well-established UK company that has grown over thirty years from a single employee to its current strength of twelve staff. With its origins in selling and renting marine surveying equipment, the company diversified into the supply of small industrial inspection systems for the food and beverage production industry. The latter now represents approximately seventy percent of the company's annual turnover – currently at around £1.5 million sterling – this sector having grown in value over the last fifteen years. Profit averages 5 - 10% of turnover. The structure of the SME is split between commercial activities including sales, accounts and administration, and technical services including project management, engineering and customer support. This company occupies a geographically central industrial unit arranged over two floors to enable office, laboratory and warehousing activities, with additional facilities for product demonstration, training, and storage.

4.2.1 Case Study Background

The current business model is an 'agency' arrangement whereby components and systems are imported to the United Kingdom (primarily from the United States) at a discounted rate, and sold into pre-agreed territories. The selling process is one of quotation or tender by invitation, often followed by demonstration or witness trials before client purchase. Site installation and commissioning expertise are provided along with training and maintenance services, the company thus operating as a value added distributor (VAD). The client base across the business is well established, with long-

standing relationships and a proven performance history underpinning sales. However, the ‘inspection’ market is approaching saturation and opportunities will inevitably fall as the number of capital projects declines. Having completed contracts across Europe, Russia, North Africa and Scandinavia, the company has built a successful reputation for customer service and support, maintaining its founding approach of ‘big enough to cope, small enough to care’. There is scope and need for additional future revenue streams. The founder and Managing Director is at retiring age but remains active within the company, and day-to-day responsibilities are executed by the Operations Manager whose remit is to increase turnover and grow the business.

4.2.2 Case Study Analysis

Standard business evaluation tools (SWOT analysis, staff interviews, process mapping studies, etc.) were initiated to determine the available technical, administrative and operational capabilities and potential, including an evaluation of physical assets, skills and processes. The findings were assessed in respect of three considerations, (1) how the company might respond to the challenge of entering new markets, (2) what additional new products and services would be most suitable, and (3) what changes within the company would be necessary to successfully introduce and deliver those new products and services. This quantitative data was analyzed prior to this research, but the results serve the needs of the Primary Aim, being useful data against which further findings could be reconciled. A summary is tabulated below.

Table 2 – Summary of Case Study Analysis Findings

Assessment Tool	Findings	Deductions
SWOT Analysis: Strengths	Experience, product range, industry knowledge, technical capability	There is a market need for the products. Products work well, are adaptable and innovative.
Weaknesses	Engineers are neither specialists nor competent in all product ranges.	American-sourced products. Design and styling not always attractive to European tastes. Technical support suffers from USA time lag.
Opportunities	Good facilities and transferable skills across the company.	Sales and technical could diversify and become more autonomous and entrepreneurial.
Threats	Market is declining due supply saturation and increased competition.	Competitors have European designed and built products, better perceived. Dollar exchange poses problems – UK clients buy in sterling.
Staff Interviews	Good relationships with each other, suppliers and customers	Good sense of teamwork sometimes undermined by a ‘them and us’ split between administration and engineering which can be divisive. Morale suffers from an irregular turnover and lack of meaningful profits for reinvestment.
	No appraisal system, no clear training programme and the performance/reward system is restricted: no incentive scheme	No clear staff development process reduces ambition and limits the ability of company to grow and diversify organically capitalizing on its resources.

Assessment Tool	Findings	Deductions
	Planning and execution of projects is haphazard	Structure of projects and management lacks procedure. Client needs determines timescales.
	Facilities not maximized to aid engineering functions	Cramped and cluttered lab, workshop and warehouse discourage efficient work output.
Structure	Hierarchical management	Decision-making is ad-hoc. Problems are managed inconsistently without collective input or ownership. Engineers tend to be isolated when on client site and unable to manage clients.
	Reporting chain not defined, discouraging local decision-making and responsibility. This is made worse by the layout of the building and staff, with sales/admin located upstairs and engineers downstairs	Nothing realistically can be done to alter the split-level staff layout. The lack of coordination in engineering can be addressed by introducing local senior engineer, and defining roles and responsibilities in terms of a project management methodology.
	Engineers are 'all-rounders' but spread too thinly. Rely heavily on each other and on support from the OEM suppliers	Specialisation and more intensive training within engineering would 'cover all bases' if supported with project management focus and additional resources. Needs also a senior engineer position?
Process Analysis: Sales	No defined process	A lack of written processes and procedures means staff often operate in a disjointed and inconsistent manner, therefore performing inefficiently at times. There are no benchmarks for acceptable quality of work. There is no commercial evaluation in the sales process and engineering staff possesses little commercial awareness.
Administration	Limited written processes	
Technical	No defined process	
Logistics	Limited written processes	
Customer Feedback	No defined process	
Quality Management	No defined process	
Project Management	No defined process	
Functional Capacity & Capability	Building layout fixed over two tiers. Staff split between upstairs office and stores plus downstairs engineering, warehouse & meeting room.	Upstairs stores could be condensed and moved downstairs improving stock / spares management. Downstairs labs and development area could be opened up to improve the use of space and raise the sense of professionalism for staff and visitors.

The analysis demonstrated a range of issues with varying degrees of importance.

- The company benefits from the combination of an established client base, supplied with proven products, properly supported.
- Within its portfolio, the company demonstrates a considerable breadth and depth of technical knowledge.
- The administration and management capability is adequate for the markets it serves and volume of business it turns over.
- The levels of staff morale, attitude and flexibility are generally high. The culture is supportive with a 'family business' feel.
- The operational processes are adequate.
- Project management process is not well understood and contract management disciplines are poorly implemented.
- The business lacks basic strategic management tools and suffers from a lack of structured planning.

The concluding impression was one of a business operating firmly within its comfort zone. Trading in two very varied but specialist sectors with a static product portfolio, the business has avoided modernizing its operations, and remains adverse to entrepreneurial risk. Instead, it 'sticks to what it knows', its staffing levels, skills set and turnover having remained static for the last decade, indicating the company has reached a plateau. However, there is a strong foundation within the company indicating potential for growth, and interest in diversification exists at both the technical and sales levels. Training investment is restricted to current product lines, and there are no 'holistic skills' schemes. Initially, there were no annual appraisal interviews to assist staff development, and the absence of any detailed business planning meant the company had no defined route for growth. Overall, the company's prospects for expansion are strong, so long as the focus remains on a technical footing. The processes, skills and knowledge base are transferable into other sectors, and the facilities lend themselves to development without the need for significant investment. Recruitment or relocation are not, therefore, immediately necessary.

4.2.3 Market Analysis and Outline Business Plan

From the analysis exercise, a number of possible routes for expansion were identified. The process weaknesses highlighted by the findings are addressed by robust project and administrative procedures, and a strategic change programme will prepare the company for diversification into other sectors. The VAD model could be enhanced with a move toward system integration, bespoke design, and possibly some light production assembly. Growth through acquisition is another avenue, as is the possibility of managed sub-contract work or project services provision. Finally, the company could consider some form of volume retail, utilizing its storage capability, sales and marketing facilities to aid steady cash flow and soften the 'saw-tooth' revenue profile of the business.

Construction of a business development plan was the next step. Any combination of the above options was possible for development of the business, but when correlating capability against opportunity, a basic strategic issue arose; namely the selection process for the potential new products, services and markets. The business development plan was split between the immediate changes required, and an outline strategy to meet the future needs, as follows: -

1. To implement the procedural and administrative changes identified and stabilize the company's financial position (year 1).
2. Source possible products, services and markets, and introduce the changes to the skills and processes needed to enable implementation (year 2).

3. Introduce the new portfolio and support structure, with additional sales and technical recruitment occurring as required, whilst maintaining the current business trading operations (year 3).
4. Develop the new products and services portfolio; manage the decline in traditional ranges (if this occurs) and migrate sales and engineering efforts to the expanding new range. Manage the growth of the diversified business (years 4-5).

To explore the new portfolio and markets, several methods were considered. One possible approach was outsourcing the task to a business development consultant; another to utilize existing staff without detracting from their activities. The third option was to engage the senior management in this exercise, and this proved to be the most suitable approach given that cost and timescale were also important.

In approaching this task, the senior management encountered issues matching the company's skills set to a prospective new business model; the process proving highly subjective and lacking credible methodology. The amount of time spent searching and analysing possibilities became disproportionate, and any adopted short-cut approaches such as 'business angel' networks and 'investor partnership schemes' failed to yield suitable prospects. Consequently, the process lost focus. One of the key issues was the market research. Reliable trend information and entrance routes for new product innovations proved evasive, as data was difficult to source and its nature often unreliable. Whilst prepared to consider some risk, the company remained cautious, as it could not afford expensive failed enterprises for fear of financial ruin. Further, the revised procedures, methods and structure identified as being necessary would take time to introduce, further impeding the search for new markets.

After twelve months of effort, two problems became apparent. First, there needed to be a more clinical approach to the search and evaluation exercise. Second, the process of realigning the firm with a potential new portfolio required a meaningful plan of its own. A solution lay in sourcing a concise and practical reference guide designed exactly for this scenario. It seemed a reasonable assumption that such a tool would be readily available to assist SME owner / managers in these circumstances.

An initial investigation identified nothing appropriate, the search instead offering a mix of reports, articles and self-help manuals, all of which proving either too academic, too niche, or too generalized. Much of the literature focussed on specific themes such as company law, project management and business administration, or explored the broader issues of funding, skills training and resource analysis. Change management as a topic arose consistently, but not in a format that aided the product or market selection process.

Whilst relevant to their respective topics, there was a distinct lack of practical and user-friendly advice that 'joined up' the guidance offered. The search found no single tool addressing the company's specific needs, namely a concise and informative checking method that guided the user through the decision making process, without the requirement for in-depth management expertise or the time and funds for specialist consultation.

4.3 Summary

Following an analysis study, efforts to identify potential new products and services for the case study SME proved unsuccessful. Further, there was no apparent availability of a consolidated reference document to aid its aim of change and realignment with new products and services in order to successfully approach new markets. Such a 'self-assessment' guide would have assisted the case study company through the decision-making process, thereon helping it to achieve its desired expansion and re-direction.

Chapter 5 – Discussion of Results and Framework Development

5.1 Introduction

This chapter examines the relevant findings of the literature review, and the process of categorizing and formulating this material into the Primary Output framework.

5.2 Summary and Discussion of Findings

The literature review yielded a large volume of information regarding change management and how companies approaching new markets might apply this. It offered no set rules for SMEs to successfully achieve re-direction, diversification and growth. In addition to study-based or educational literature, self-improvement type guidance is available using questions and answers (Q&A) to inspire or steer the end-user. Language is important. Academic documents can be discouraging, due to their use of jargon and acronyms, whilst self-help guides may over-simplify and lack detail. Therefore, the style and use of language for the final check list must flow and be easily understood, the guidance or instructions self explanatory and logical. Similarly, its structure should offer a methodical format, perhaps adopting a chart-like or graphical representation.

From the literature, some themes emerged consistently, suggesting that they should be included in the Primary Output. These were: -

- SWOT analysis of the business as it is now; its products, people, processes.
- Capability analysis of the potential of the products, people and procedures.
- Audit of the company's fiscal and physical assets or access to such assets.
- Analysis of the potential markets, products and services of interest.
- Assessment of the investments in fiscal and physical resource terms required.
- Reconciliation audit between 'as it is now' and the 'as it could be'.
- Plan of action to bridge the gap between the 'as it is now' and 'as it could be'.
- Monitoring and measurement programme to implement the change.

These themes appear to suggest a logical approach or sequence to the change management process, comprising self-audit, assessment, planning and monitoring.

Themes missing from the literature review that would have assisted the development of the Primary Output include articles on the psychology of small business management

when undertaking change, and methods that aid thought processes when important decisions have to be made – particularly under pressure. A review of the psychology literature fell outside the timescales for this project, however, it is believed that information on these topics might have had an influence on the method by which the check list questions were posed, and the style of language and graphical imagery used to enable a semi-visual process to be followed. Further, literature distinguishing between the operations of larger SMEs compared with their smaller counterparts would have proven beneficial. Some of the cited references did discuss smaller firms, recognizing them as entities ranging from the self-employed sole trader up to companies of some tens of employees. However, much of the literature considered all SMEs to be the same, not always recognizing the differences between a business employing twenty-five staff and another employing two hundred and fifty (generally taken to be the maximum size for an SME).

Much of the published material discusses the need for firms to change, suggesting processes they might adopt. However, these often fail to offer any practical guidance on how to go about selecting those specific products and services that would be most suitable to the SME. Further, there are a plethora of suggestions and recommendations concerning the organizational and cultural elements that impact successful change management, but a dearth of advice addressing the more immediate challenges of redirection. Many writers on business analysis and change management focus upon the sociological conditions associated with building good companies, yet neglect the more elementary and immediate requirements necessary to generate actual new revenue streams. Businesses are functional entities, first and foremost.

The detailed research stage referred to in 3.2 Methodology discusses the case study company as a comparator for referencing relevant ideas from the literature. Collating, condensing and organizing these was a process that might be likened to a wall of 'post-it' notes, each identifying a potential idea. Each 'post-it' note is then filtered and either accepted or rejected; the remaining ideas grouped, providing the basis for the 'P' Categorization. The tabulated results (see Table 1, 2.4 Themes Emerging From the Research) effectively generated the two-part framework for the Primary Output. First, it prompted the simplified categorization necessary to catalogue the relevant ideas into usable topic areas, and second, it inspired the route map or flow chart that would lead the decision-maker through the Q&A stages. From this, the expanded check list format evolved. These outputs – 'P' categorization, flow chart and check list(s) – achieved a sequential and methodical approach to the change process, and therefore met the Primary Aim requirements (ease of use and self-explanatory) in keeping with the 'now, then, how and when' theme familiar from the literature, as discussed previously.

5.2.1 The 'P' Categorization

As indicated earlier, the literature frequently suggests a 'now, then, how and when' methodology for change management. This is a useful approach, and supported with prompts, creates an effective Q&A framework for self-assessment. A proposal for such a strategic planning framework is the 'P' Categorization shown below.

Part One - questioning / decision-making 'states'

- 'Present State' (where are we now);
- 'Preferred State' (where do we want to be?)
- 'Proposal State' (what must be done?)
- 'Process State' (how is it possible?)
- 'Planning State' (the steps to take).

Part Two – activity / operational 'states'

- 'Progression State' (starting the change process)
- 'Probation State' (maintaining momentum)
- 'Persistence State' (sustaining change for the future).

The P' Categorization operates in two parts, the questioning / decision-making 'states', and the activity / operational 'states' (see Appendix B – Notes for Using Flow Chart and Check Lists). In considering the change process for these two parts, the end-user is prompted to assess their triggers and / or ambitions to diversify in terms of what may be considered a good proposition or 'fit' for the business, and what is necessary in terms of operational activity to plan, deliver and implement the identified tasks. In achieving this, the Q&A method offers the most suitable approach for the check list(s), based upon a series of prompts that flow like steps along a route map; a document informing as well as guiding the end-user in clear stages. The language and rhythm of this route map – or flow chart – should be simple and direct, the questions it poses unambiguous and readily understandable, purposely free of complex jargon and off-putting acronyms.

The flow chart and check lists are to be used together, the 'start' of the flow process distinguishing between 'elective' change (end-user's own ambition to diversify) and 'reactive' change (triggered by internal or external factors). Prompts or questions raised in the flow process are intended to encourage the end-user to consider in detail their own situation: the more comprehensive the responses, the more beneficial the exercise.

5.2.2 The Flow Chart

The questions should be logical and sequential, intended to provoke the end user to consider their business in the whole, and make decisions in distinct categories, each requiring scrutiny and evaluation. The 'P' categorization serves as a hook for these, setting out to make the thought process flow and inform, whilst retaining an intuitive quality. By transposing the 'P' categorization prompts into a flow chart format, the Primary Output remains accessible to the capabilities of the end user originally targeted. The flow chart is represented in two parts, as detailed in [Appendix C](#).

5.2.3 The Check List

The Primary Aim was to produce a guidance document or reference check list, the style, content and application of which being derived from the literature available. Drawing on good practice and conditioning the target audience to identify what might work for them, a balance had to be struck between the need to provide information and the opportunity of becoming didactic. Being 'advisory' in order to allow informed decision-making was the desired goal, whilst becoming another academic reference textbook or populist self-help guide was to be avoided. The required style and hence overriding aim of the check list tool was to offer accessibility and practicality for the target audience. The check list is represented as a sequence of tables outlined in [Appendix A](#) and detailed in [Appendix D](#).

5.3 Contributors to the Check List

From the literature, there have been a number of tools and techniques identified that, when adapted for this purpose, would contribute to the final checklist. These tools are:

- SWOT analysis – (Barney and Clark 2007)
- Strategy Wheel – Porter (1998)
- VRIO – Barney and Clark (2007)
- Paired Stages – Houston (1999)
- Competitiveness – dynamic responses – Jones and Tilley (2003)
- Change Management Model – Carnall (2003)
- Mission Pyramid – Webb and Webb (2001)
- Growth Pyramid – Barrow, Brown and Clarke (1995)
- Strategic Pyramid – Barrow, Brown and Clarke (1995)
- Adaptive Search Method – Ansoff (1987)
- TROPICS – Paton and McCalman (2002)

- 5 Steps to Change – Rye (2001)
- Critical Success Factors – Barrow, Brown and Clarke (1995)
- Purpose/People/Process – Buchanan and McCalman (1989)
- SPS – Grant and King (1982)
- 10 keys to change – Pendlebury, Grouard and Meston (1998)
- Organizational Profile – Robbins and Finley (1997)
- Competitiveness Assessment – Hamel, G. and Prahalad, C. K. (1994)

5.4 Independent Validation of the Primary Outputs

The testing of the Primary Outputs was undertaken by a retired engineer, formerly a product manager with the General Motors Group Europe (GMGE). Drawing from more than thirty years experience within the automotive industry and possessing a practical understanding of the processes involved in new product innovation, the Primary Outputs underwent realistic scrutiny.

Using two examples – one theoretical and one based upon a factual product brought to market by GMGE – these examples tested the logic, method and thoroughness of the flow chart and check lists in the context of the target end-user. Observations and recommendations generated by this testing are identified below, and the Primary Outputs have been duly revised where appropriate to reflect these amendments. Intermediate versions of the flow chart and check lists have not been detailed due to the volume of iterative revisions arising as the examples were successively revisited.

The Flow Chart

- Modify the 'start point' to choose between elective and reactive change activities to differentiate between change through choice and change as a result of pressures and triggers.
- Split the flow chart into two pages to separate the 'thinking' and 'doing' activities, i.e. planning the change and managing the change. This also makes the flow process easier to follow.
- Provide a glossary of terms and / or key code for the flow chart along with some notes to assist the end-user.
- Make it clear that the flow chart and check lists should be used together.

The Check Lists

- Provide a list of the check lists available
- Add a check list for 'sanity checking' the process, i.e. what limitations risks, weaknesses, etc. existing that may not prohibit the choice of product / service or market, but draw the end-user to areas requiring particular attention.
- Add explanatory notes or hints to assist the end-user when filling in check lists.

5.5 Summary

This chapter identified the research findings that enabled the categorization of those tools and approaches to be used in the construction of the Primary Output. The resultant reference flow chart and check lists are derived from an assimilation and interpretation of these.

Chapter 6 – Conclusions

6.1 Introduction

This chapter concludes the research, summarising the results and their potential benefits to the case study company and other similar SMEs. The limitations of the study, and areas for future research are also identified.

6.2 Limitations of the Study

The abundance of books, articles and journals created some initial obstacles. Use of the two-stage research approach enabled filtering and focus in terms of the volume and degree of complexity, this to ensure relevance to the Primary Output. The selection of ideas for inclusion in the final check list(s) needed to be considered in terms of the likely abilities of the intended end-user.

The purpose of the research was to examine different approaches to managing change whilst acknowledging that the causes for it are many and varied. Crisis-driven change appeared regularly in the literature, and is reflected in this thesis in respect of the impact of internal and external triggers upon change. However, the focus of the research remained upon elective change, based on an SME's purposeful ambition for structured growth (as relevant to the needs of the case study company). In meeting the objectives and tasks set by the research question, it is believed that the Primary Aim was successfully achieved.

In respect of the Secondary Aim, it was not possible in the time available to produce an implementation strategy based upon a project plan, nor a revised organizational structure for the case study company. There were two reasons for this. First, the Primary Output expanded from a single check list into a flow chart plus check list, and subsequently into a flow chart plus a series of check lists. Second, whilst some testing was anticipated, the Primary Output underwent an additional proving stage, not foreseen within the original scope of this research. The flow chart and check lists were subjected to independent validation (see 5.4 Independent Validation of the Primary Outputs), adding a measure of credibility to the results. This, similarly, required additional time, contributing to the failure to achieve the Secondary Aims.

Some theoretical limitations exist, due to the use of secondary qualitative data to indicate 'good practice'. The research methodology is subjective, and its outputs closely linked to

the unit of analysis (the case study company) and its needs. Whilst attempting to be holistic in its approach to SMEs in general, the research inevitably leaned toward what was considered suitable by the author for the case study company. Future research that assesses a range of sample SMEs – or, indeed, the documented case study company from an independent stand point – might, vindicate or otherwise the eventual Primary Outputs (see 6.5 Areas for Future Research).

Some limitations to documentation were experienced. Access to an original copy of the Bolton Report 1971 was not achievable. The publication Stanworth, J. and Gray, C. (1991) *Bolton Twenty Years On – The Small Firm in the 1990's*, was sourced to provide useful references and insights into the original document. Also, the recent restructuring of Government departments – particularly the Department of Trade and Industry having become the Department for Business Innovation and Skills – meant earlier reports were not readily available via the internet, (a specific example being a reference to Fielden, Davidson and Makin (2000) given as www.dti.gov.uk/SME4/define.htm (Jones and Tilley 2003). Similar is true of the Government's 'Small Business Service' website (<http://sbs.gov.uk>) which did not always function properly, thus limiting reference to some potentially useful documents and publications. Other supporting papers websites and publications were similarly unavailable due to access or availability restrictions, their absence similarly considered unlikely to have compromised the research findings.

6.3 Contribution to Knowledge

The significant contribution to knowledge arising from this research is a concise yet practical assessment procedure that enables a change agent within an SME to determine the best approach to new markets for that company. For the end-user, the reference flow chart and check lists represent a means of recognizing which triggers are important in their change process, and what factors will influence success. In utilizing the Primary Outputs, the end-user will benefit from the potential commercial advantages that strategic planning and change management bring about. The 'easy to follow' format was purposely chosen to limit complex jargon and avoid any overly academic perspective that may deter would-be change agents. The aim is to guide busy but ambitious / needful managers, who already have commercial ideas but lack the immediate skills, knowledge or time to implement and sustain them.

In considering practical options, the flow chart is an effective tool that provokes simple questions from which the check lists steer the end-user to recognize and assess important factors. Possible causes and effects of the decision-making process result in awareness of, and contingency planning for, their potential impact. The end-user is

prompted to monitor results and consider alternative strategies, although it should be noted that any detailed project management is a subject within itself and beyond the scope of this research. It must be stressed that the Primary Outputs are likely to work best within a smaller SME, or for a department / cost centre within a larger organization, despite its initial target of all SMEs.

6.4 Useful Insights for the Case Study Company and Other SMEs

SMEs must adapt and evolve, continuously exploiting new products and opportunities as they arise. Failure to do so can lead to decline and eventual failure. Small firms benefit from lower operating costs, but rely heavily upon the continuity of cash flow generated from steady sales. Flexibility and speed of response, along with high service levels and adaptability give SMEs a distinct competitive advantage when exploited. However, growth requires an enhanced staffing level as well as devolved decision making and ownership of responsibilities. The success of an SME's change strategy depends upon it maintaining momentum, its progress underpinned by structured planning, sound processes, and flexible resources that are both prepared and empowered to see the change through. Business management is essentially about planning.

The case study company has demonstrated evidence of previous change, having adopted new product lines in the past. However, the core culture and operation of the company has remained unaltered for many years. The change needed for its future is likely to be significant diversification. Now that the flow chart and check lists exist, they can be applied, and the incomplete strategic project plan and organizational structure (Secondary Outputs) can be developed accordingly. This will allow the case study SME to develop, whilst protecting it in the interim against the internal and external triggers that currently impact its core operations. Innovative culture, decisive management, and ongoing skills training all feature consistently as factors that will determine how well this company, and any similarly placed SME, might respond to a future change programme.

6.5 Areas for Future Research

Future researchers may wish to evaluate the effectiveness of the Primary Outputs on either the case study company, or other SMEs facing the challenge of change by identifying new products and services, and approaching new markets. Consideration of the psychological impact upon the decision-making process might generate improvements to the flow chart questioning, and the format of the check lists. Further, and in mind of the observation made in 5.2 Summary and Discussion of Findings

concerning the differences between smaller and larger SMEs, future research might investigate possible size limitations when using the Primary Outputs, suggesting further study into what approaches best suit different types and sizes of SME, and how such tools might work for departments within larger SMEs.

Having concentrated this research on elective change, researchers may also wish to examine the Primary Outputs extended application to crisis-driven change that, although included within the flow chart and check lists, requires a different management approach. Elective and reactive change follow similar paths, although the pressures and opportunities differ; crisis-driven change may not always attract the favourable interest of investors, and in keeping a business going long enough to effect change, key resources may be lost.

Finally, semi-automating the flow chart and check lists using an electronic format might add value, so long as any decisions remain prompted only. Using purpose-written process management software, or utilizing document 'hyperlink' tools within commercially available word processing software is possible, and incorporating a method of constructing a project plan may also be valuable.

6.6 Summary

This chapter discussed the contributions to knowledge, highlighting the uniqueness and usefulness of the Primary Outputs in addressing the research question. The conclusions suggest areas of further research. Aimed at the smaller SME seeking new products and approaching new markets, this is a self-explanatory and user-friendly tool that assists the process of elective change.

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APPENDICES

Appendix A – Check List Index

Appendix B – Notes for Using Flow Chart and Check Lists

Appendix C – Flow Chart: Parts 1 & 2

Appendix D – Check Lists

Appendix E – Implementation Strategy for Case Study Company

Appendix A – Check List Index

- Check List 1 What are the Triggers / Pressures?
- Check List 2 What is Their Impact?
- Check List 3 What is Required to Respond?
- Check List 4 What is the Future Business Model?
- Check List 5 What are the Proposed New Markets?
- Check List 6 What are the Proposed New Products / Services?
- Check List 7 What Would Make for a Good Fit – Is this Attainable?
- Check List 8 What Are the Critical Success factors?
- Check List 9 What Attributes Are Required for the Future Business Model?
- Check List 10 What Must Be Done to Integrate / Utilize the Attributes?
- Check List 11 What Weaknesses / Limitations / Risks / Concerns Exist?
- Check List 12 Detailed Business Planning Comprising Marketing, Strategic
and Implementation Sub-Plans
- Check List 13 How Will the Proposals be Communicated?
- Check List 14 How Will Ideas be Fed Back and Assessed?
- Check List 15 Key Factors and Staging points – What Are They and Have They Been
Achieved?

Appendix B – Notes for Using Flow Chart and Check Lists

Notes

Following the theme discussed in 5.2.1 The ‘P’ Categorization, the flow chart has been separated into two parts as follows: -

Part One - questioning / decision-making ‘states’

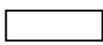
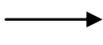
- ‘Present State’ (where are we now);
- ‘Preferred State’ (where do we want to be?)
- ‘Proposal State’ (what must be done?)
- ‘Process State’ (how is it possible?)
- ‘Planning State’ (the steps to take).

Part Two – activity / operational ‘states’

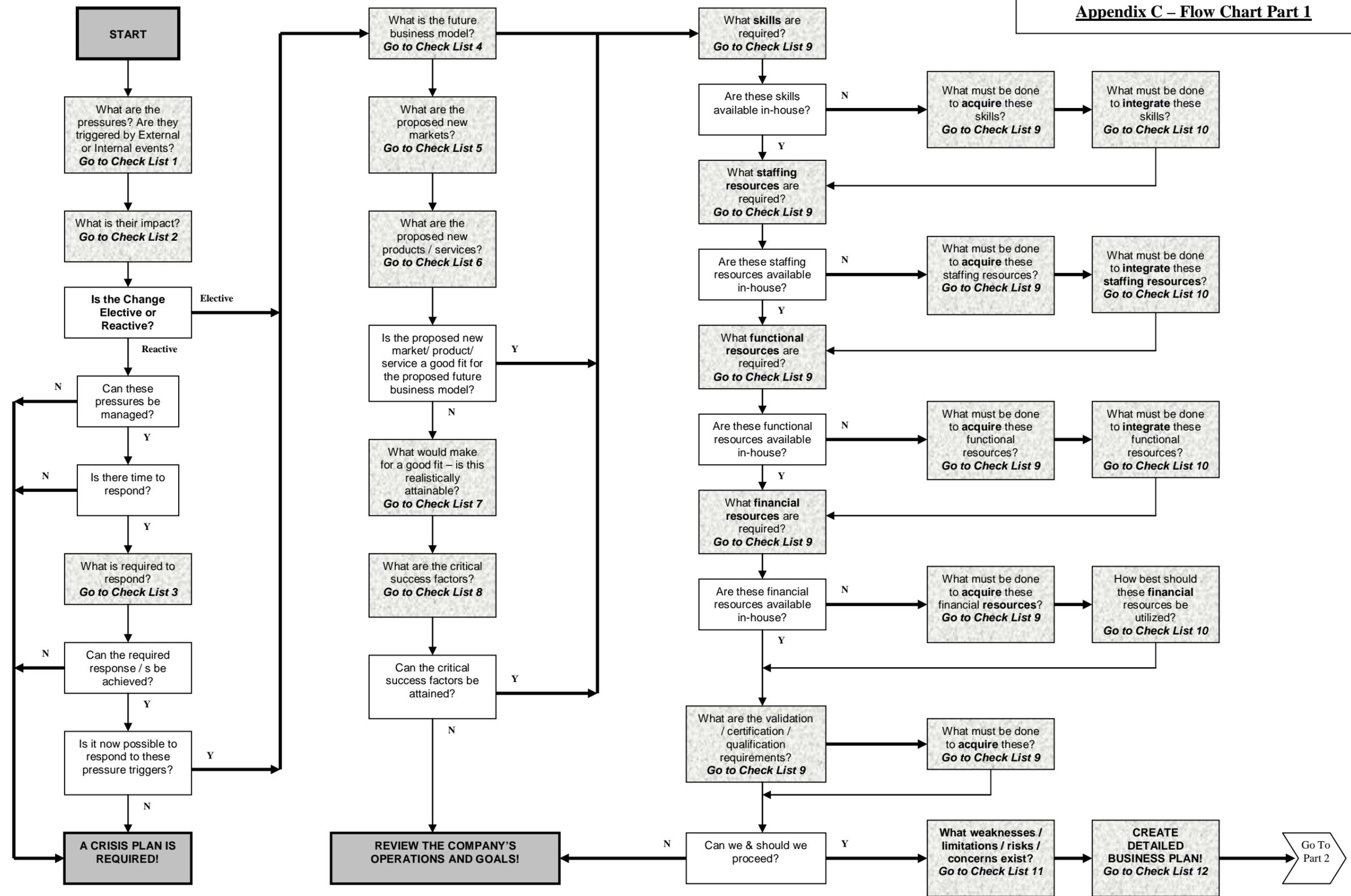
- ‘Progression State’ (starting the change process)
- ‘Probation State’ (maintaining momentum)
- ‘Persistence State’ (sustaining change for the future).

Key to Flow Chart and Check Lists

The flow chart and check lists are intended for simultaneous usage. The ‘start’ of the flow process distinguishes between ‘elective’ change (that arising from the end-user’s own ambition to diversify) and ‘reactive’ change (that triggered by internal or external factors that require urgent action). Questions and prompts raised by the flow chart / check lists to “detail separately” should receive as much time and consideration as possible (Check Lists 1 – 4 already contain some suggestions). The opportunity for the end-user to consider all possibilities is encouraged in order to maximize the benefits of these tools. Detailed project management may require additional practical support, being beyond the scope of the Primary Outputs.

	Major Event or Activity
	Check List Activity
	Decision-type Question
	Minor route through the flow chart
	Major route through the flow chart

Appendix C – Flow Chart Part 1



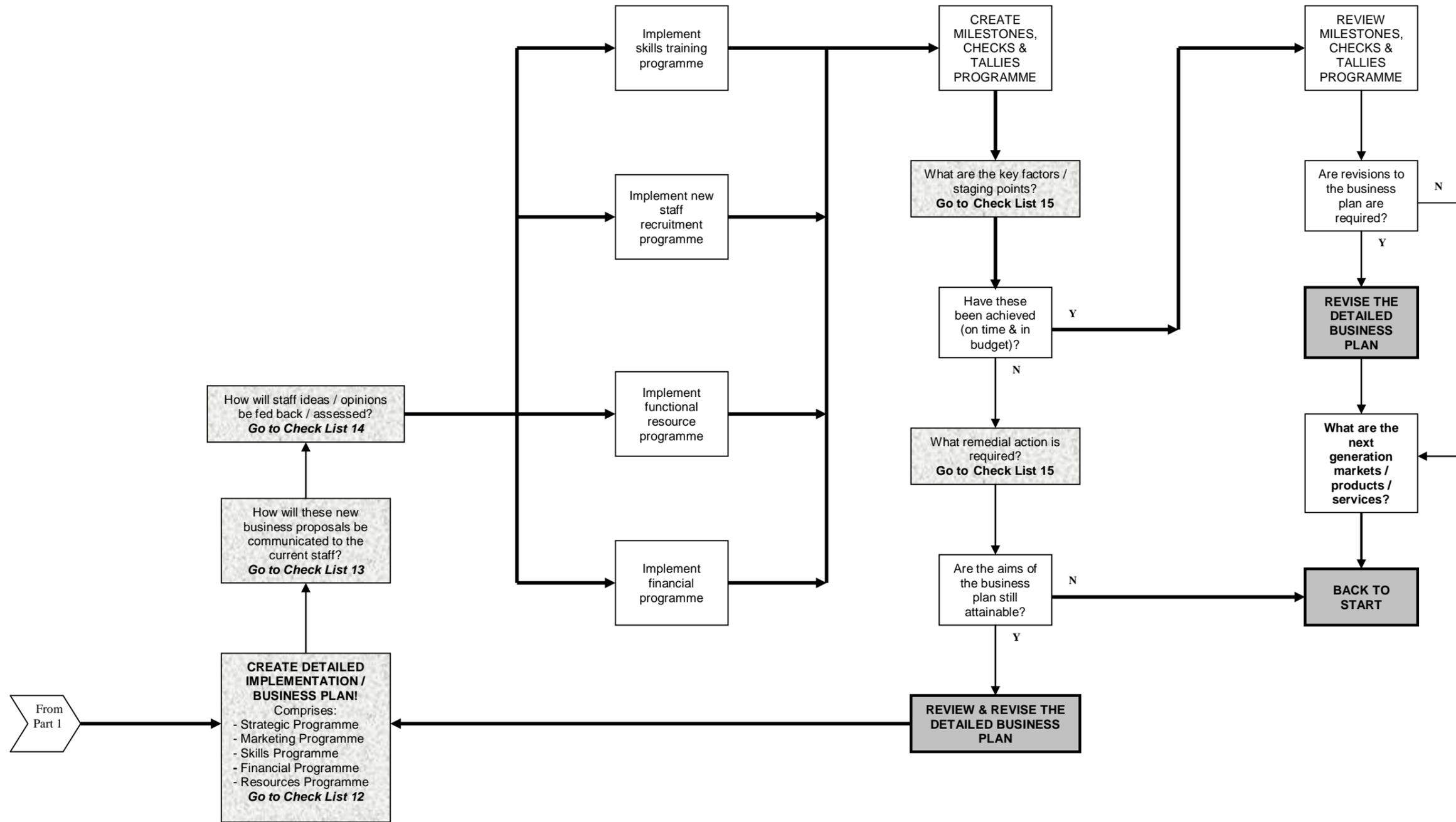
PRESENT STATE

PREFERRED STATE

PROPOSALS STATE

PLANNING STATE

Appendix C – Flow Chart Part 2



Appendix D – Check Lists

Check List 1 – What Are the Triggers / Pressures? (tick as applicable-add to as required)

External			Internal		
Legislation		Stock Market Crisis	New Market Research		Cash Flow
Market Trends		Credit Crisis	Change in Key Staff		Quality Issues
Competitor Activity		Loss of Financial Support	New Method or Process		Service Issues
Commodity Pricing		Severe Bad Debt	New Product Invention		Supply Chain Issues

Check List 2 – What is Their Impact? (From Check List 1, detail separately then tick when complete)

External			Internal		
Legislation		Stock Market Crisis	New Market Research		Cash Flow
Market Trends		Credit Crisis	Change in Key Staff		Quality Issues
Competitor Activity		Loss of Financial Support	New Method or Process		Service Issues
Commodity Pricing		Severe Bad Debt	New Product Invention		Supply Chain Issues

Check List 3 – What is Required to Respond? (From Check List 2, detail separately then tick when complete)

External			Internal		
Legislation		Stock Market Crisis	New Market Research		Cash Flow
Market Trends		Credit Crisis	Change in Key Staff		Quality Issues
Competitor Activity		Loss of Financial Support	New Method or Process		Service Issues
Commodity Pricing		Severe Bad Debt	New Product Invention		Supply Chain Issues

Check List 4 – What is the Future Business Model? (list proposals, detail separately using suggested headings, then tick when complete-add to headings as required)

Products / Services	Markets
New Products for Existing Markets	New Markets for Existing Products
New Products for New Markets	New Markets for New Products
Design/Development Based on Existing Portfolio	Design and Development for Specific Markets
Manufacturer or Distributor	Network and Service Requirements
Consultant, Service or Supplier Basis	Wholesaler or Retailer
Internally or Externally Sourced Production	Mail / Web Order or Source / Build to Order

Check List 5 – What are the Proposed New Markets? (list them)

General Trading Sectors	Specific Opportunities

Check List 6 – What are the Proposed New Products / Services for These New Markets? (list them)

Products	Services

Check List 7 – What Would Make for a Good Fit – Is this Attainable? (Use answers from Check Lists 5 and 6)

Action to Make A Good Fit	Attainable?
	Yes / No

Check List 8 – What Are the Critical Success factors? (list and describe)

Products		Services	
Factor	Reason	Factor	Reason

Check List 9 – What Attributes Are Required for the Future Business Model? (list, describe and answer)

What Skills are Required?	Available In-House?	What Must Be Done to Acquire These?	Good Fit?
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No

What Staff are Required?	Available In-House?	What Must Be Done to Acquire These?	Good Fit?
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
What Functional Resources are Required?	Available In-House?	What Must Be Done to Acquire These?	Good Fit?
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
What Financial Resources are Required?	Available In-House?	What Must Be Done to Acquire These?	Good Fit?
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
	Yes / No		Yes / No
What Validations / Certification / Qualifications are Required?		What Must Be Done to Acquire These?	Good Fit?
	Desired / Required		Yes / No
	Desired / Required		Yes / No
	Desired / Required		Yes / No
	Desired / Required		Yes / No

Check List 10 – What Must Be Done to Integrate / Utilize the Attributes? (list, describe and answer)

New Skills Requirements	What Must Be Done to Integrate These?	Realistic and Achievable?
		Yes / No
New Staff Requirements	What Must Be Done to Integrate These?	Realistic and Achievable?
		Yes / No
		Yes / No
		Yes / No

		Yes / No
New Functional Resource Requirements	What Must Be Done to Integrate These?	Realistic and Achievable?
		Yes / No
New Financial Resource Requirements	How Best Should These Be Utilized?	Realistic and Achievable?
		Yes / No

Check List 11 What Weaknesses / Limitations / Risks / Concerns Exist? (Consider all answers from Check Lists 1 to 10 that are 'not a good fit', 'not realistically attainable', etc.)

Item of Concern	What Must Be Done to Overcome This?	Realistic and Achievable?
		Yes / No

Check List 12 – Detailed Business Planning Comprising Marketing, Strategic and Implementation Sub-Plans (Consider Check Lists 1 to 11 and create an activity list with timescales and persons responsible)

What Steps are Required to Launch and Promote the New Product / Service?	Priority	What Resources are Required to Undertake Each Task?	Timescale	Person/s Responsible

What Steps are Required to Ready the Company?	Priority	What Resources are Required to Undertake Each Task?	Timescale	Person/s Responsible
What are the Financial Spending Requirements? (from Check List 9)	Priority	What are the Milestones?	Timescale	Person/s Responsible
Steps Required to Integrate New Functional Resources? (from Check List 10)	Priority	Who is Tasked to Undertake This Task?	Timescale	Person/s Responsible
Steps Required to Integrate New Staff? (from Check List 10)	Priority	Who is Tasked to Undertake This Task?	Timescale	Person/s Responsible
Steps Required to Integrate New Skills? (from Check List 10)	Priority	Who is Tasked to Undertake This Task?	Timescale	Person/s Responsible

Check List 13 – How Will the Proposals Be Communicated? (list and describe-add to as required)

Aspect	Method / s	Timescale	Person/s Responsible
Triggers & pressures		Yes / No	Yes / No
Impact on the business		Yes / No	Yes / No
What has been considered		Yes / No	Yes / No
Future business model		Yes / No	Yes / No
New target markets		Yes / No	Yes / No
New products / services		Yes / No	Yes / No
Why this model fits		Yes / No	Yes / No
What will help the fit		Yes / No	Yes / No
Critical success factors		Yes / No	Yes / No
Required attributes		Yes / No	Yes / No
Integration & utilization		Yes / No	Yes / No
		Yes / No	Yes / No
		Yes / No	Yes / No
		Yes / No	Yes / No

Check List 14 – How Will Ideas Be Fed Back and Assessed? (list and describe-add to as required)

Aspect	Comments / Issues Raised	Impact Upon Proposals?	Revise Proposals?
Triggers & pressures			
Impact on the business			
What has been considered			
Future business model			
New target markets			
New products / services			
Why this model fits			
What will help the fit			
Critical success factors			
Required attributes			
Integration & utilization			

Check List 15 Key Factors and Staging points – What Are They and Have They Been Achieved?

What Are the Key Factors / Staging Points?	Priority	What Remedial Action is Required?	Timescale	Task Owner

Appendix E – Implementation Strategy for Case Study Company

The requirements of the Secondary Aim – to produce an implementation strategy based upon a project plan and revised organizational structure for the case study company – were fulfilled in part by the results of the Primary Aim.

With the availability of the flow chart and check lists, a separate exercise for the case study company may now follow (this not having been achievable within the bounds of this research (see 6.5 Areas for Future Study). It is the intention of the author to apply the flow chart and check lists system detailed in this thesis to the case study company in its efforts to explore new products and services so as to approach potential new markets. This will be done to compliment the existing business model as well as utilize and enhance the skills base of the firm. Section 4.2.3 Market Analysis and Outline Business Plan discussed potential areas for diversification against which the Primary Aim can now be applied and the Secondary Aim developed.

DECLARATION

I declare that this thesis is my own unaided work and it is being submitted for the degree of Master of Science by Research at the University of Bedfordshire.

It has not been submitted before for any degree or examination in any other University.

NEIL MEREDITH

MARCH 2010