
YOU DON'T KNOW WHAT YOU DON'T KNOW

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Abstract:

SME's are often launched by individuals that may not have intended to run a business. The greater proportions of those SME's were launched in order to secure revenue whilst controlling personal destiny. Consequently, marketing knowledge under these circumstances is often rudimentary or worse non-existent. It becomes distilled to a single purpose of advertising - circumventing other valuable associated marketing disciplines. As a result, expensive errors occur where there is a lack of alignment with pricing, product availability, customer service, etc.

Primarily, digital communications are popularly presented as the panacea; the assumption of a strategy exists only secondary to this. Effective communications are organised around a requirement to deliver a message to an audience, not being able to position and target the most appropriate audience often results in expensive mistakes because of the lack of marketing knowhow. As such, this approach to marketing communications is a contributory factor to the level of business failures in the UK (Watkins 2014).

Keywords: SME's, marketing, new media, communication, optimisation.

1. WHY DO PEOPLE GO INTO BUSINESS

Whilst digital communications are cost effective they still explicitly require the user's comprehension of a marketing process. Conclusively, the financial viability and ubiquitous access of digital communication media does not necessarily assist the SME owner to establish and grow their business or develop a unique marketing strategy, yet may subversively hinder and limit their potential.

This poses a number of critical questions; why is there such a high volume of micro and small businesses and why do they underperform?

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m	≤	€ 43 m
Small	< 50	≤ € 10 m	≤	€ 10 m
Micro	< 10	≤ € 2 m	≤	€ 2 m

Table 1. Types of Companies
Source: European Commission 2009, p. 3.

If a business owner was asked why they started their business it would be unlikely of them to reply: "I wanted to learn all about financial management", or "I wanted to immerse myself in people development and training – dealing with the personal issues of my team on a daily basis". Perhaps they have expressed a passion for leadership and the pleasures of day to day business operations!

Most business owners started their business because they had a passion for an idea, a skill that was special, or an overriding desire for



self-determination. Regardless of the myriad reasons, after being in business for a while there comes a realisation – the reason they started the business is no longer the day to day driving force. The passion, and perhaps even the vision, has been replaced by quotidian routine, such as sales generation, marketing, finance and various other operational issues.

In an ideal world budding entrepreneurs will understand what they know, focusing their efforts in that area, whilst hiring experts to bridge their knowledge gap. Sadly, human behaviour does not work like that; there is a lack of humility or the ability to grasp the broader consequences of cutting corners to get things done. This forces business owners to strive to save money, by avoiding business professionals, which provides only a short term commercial benefit.

Developing the confidence to delegate or outsource specific practices is a critical skill which takes time to develop and requires significant confidence – given that often the business owner will make mistakes before alighting on the best solution. Grappling with the concept that the business person does not have to do it all to be successful is a struggle for most entrepreneurs as they aim to grow and develop their Small to Medium Sized Enterprise.

2. WHAT IS AN SME?

Small to Medium size Enterprises (SME) are ubiquitous, with 5.7million businesses in the UK SMEs represent over 99%, with the



majority of these employing less than 10 people (see illustration 1. for SME definition). Although SME's represent the greatest proportion of businesses they account for only 33% of employment and 19% of turnover in the UK economy. Meanwhile, large businesses with more than 250 employees, accounted for less than 0.1% of businesses but 40% of employment and 53% of turnover (Small business statistics, 2014).

An SME does not innovate, strategize or implement ideas – people do. The process of categorising the commercial environment into convenient boxes of Micro, Small and Medium Sized businesses does not acknowledge the driving force. It is the continued growth of people stepping out of the labour market - self-determination (self-employed).

The vast majority of people running their own enterprise do not necessarily reflect the stereotypical entrepreneur; epitomised by recognisable characters such as Richard Branson or Mark Zuckerberg. Such stereotyping distorts perceptions of what can or cannot be achieved, particularly given that the vast majority of businesses will never exceed more than 10 employees. The entry barriers at a socioeconomic and technical level have never been lower – enabling people to take the leap. That is to say, you do not need to have professional training, you do not need to come from a commercial background, nor do you need to be a technical whiz. However, with such ease of accessibility comes a high failure rate:

3. HEADLINE FIGURES



The number of UK business births increased by 28.5% from 270,000 to 346,000 between 2012 and 2013. The number of UK business deaths decreased by 6% from 253,000 to 238,000 between 2012 and 2013. The total UK business birth rate was 14.1% and the death rate was 9.7%. London was the region with the highest birth rate at 17.9% and the highest death rate at 10.6% (Office of National Statistics 2014).

4. WHAT DOES IT MEAN TO BE A BUSINESS?

Owner managers or self-employed often start their journey without the benefit of a clear business plan to drive direction and focus energy; the emotions of sheer will and determination overcoming the initial obstacles to enable them to reach the launch stage for their business. Much research has been done on the entrepreneurial mind-set in order to divine how and what makes a successful business person (Haynie and Shepherd et al. 2010). However, one standout government initiative focuses more on the need to coach and develop the individual skills of the business owner. This program, run by the Business Growth Service (BGS), assigns a coach/mentor to an aspirational company owner to assist them with their growth and development.

In order to assess and understand the impact of the BGS program on the UK economy, Gross Value Added (GVA) is measured. GVA is a measure of the increase in the value of the economy due to the production of goods and services. It is measured at current basic prices, which include the effect of inflation, excluding taxes (less subsidies) on products (for example Value Added Tax). GVA plus taxes (less subsidies) on products is equivalent to Gross Domestic



Product (GDP). Figures are presented for areas according to the Nomenclature of Units for Territorial Statistics (NUTS) (Office of National Statistics 2014).

5. YOU DON'T KNOW WHAT YOU DON'T KNOW

The painful fact of business failure rate is, however, seemingly balanced by the joy of success. Successful start-up companies frequently do not acknowledge their ignorance in some disciplines of work, yet continue regardless; oblivious to the potential dangers to their business. Ironically this may lead to the success of their company as it is reflected upon as well executed strategy rather than what it actually is – pure luck and determination.

The flipside is failure – getting it wrong, with no hope of recovery; paradoxically this is where the greater business experience is gained, what may be called “wisdom”. After the event of failure is the challenge of resilience, the challenge is whether or not there is sufficient resilience of the person in question to return to the business game. The failure must be experienced as a new found knowledge.

The fact that a business can be set up for very little cost – be that on-line or an enterprise working from home – means that little time is spent planning the enterprise, and more time is spent dreaming about what it could be. Vision has its place, as a driver and a point of focus, however a vision without a plan is a dream. And dreams provide little



in the way of foundation on which to build. On the “enterprise journey” it becomes very clear that there is more to being in business than meets the eye.

6. ON THE ROAD TO THE MARKET – PLANNING

The McKinsey 7S framework (Waterman et al. 1980) captures the majority of the primary elements required to plan and execute an enterprise.

Strategy, is the plan devised to maintain and build competitive advantage over the competition. *Structure*, is the way the organization is structured, i.e. who reports to whom. *Systems*, are the daily activities and procedures that staff members engage in. *Shared Values*, are the core values of the company that are evidenced in the corporate culture and the general work ethic. *Style*, is the style of leadership adopted. *Staff*, are the employees and their general capabilities.

By employing a more structured approach, as outlined above, a business start-up or an established business would be encouraged to reflect on their practice, interrogating what they do and for whom they are doing it. These apparently simple questions are the precursor to establishing clarity of approach needed for any form of “external communications”; enabling a business to be projected effectively.



Problematically, the low to negligible cost of digital communications hinders results by delivering poorly structured messages to a target audience. A target audience should represent a clear fit to the products and services being provided by the erstwhile entrepreneur. However, even though entrepreneurs are themselves consumers that are segmented and targeted by large brand names on a daily basis, this structured approach does not seem to filter into the entrepreneurs psyche. Therefore, low-cost communications processes, such a social media, often drive an ill disciplined approach to the market. If a step back is taken to understand the rudimentary elements of marketing, it becomes clear that most communications strategies and plans are upside-down. They are confused due to a lack of structure – you don't know what you don't know.

Marketing principles require structure to be effective; the most common approach being the Chartered Institutes of Marketing's 7 "P's" of marketing also known as the extended marketing mix. 6 (Perreault, 2006).

Price; the Product or service should represent good value to the intended (target) customer. This does not mean cheap; it may be premium priced or budget. *Product*; the Product should fit the needs of the customer; be what they require and value. *Place*; the Product should be available from where the customer is looking; be that on-line or on the high-street. *Promotion*; advertising, PR, Sales Promotion, Personal Selling, Social Media are all critical communication methods available to most businesses. *People*; companies are built with people – from front line Sales staff to the Owner Manager. Having the right people with shared values is essential. *Processes*; the business



processes and systems must be geared towards a smooth customer experience. *Physical Evidence*; from the look and feel of an office to the signage on the wall; the customers experience starts from the moment they make contact with your business – in any form.

That is to say, as an SME there is a significant amount of guessing that occurs in communications. Although it is accepted that SME's are often excluded from accessing more lucrative markets, such as public sector projects and blue chip companies, this has little reflection on capability and professionalism. Under the right circumstances SME's have formed buying groups and consortia in order to gain advantages such as economies of scale or increased physical resource. This is done in order to compete with larger more established companies.

The positive discrimination enshrined in Government legislation (access to £230 billion of public sector contracts – implementing Lord Young's recommendations, which were accepted by the Prime Minister in May 2013, to make it easier and simpler for small firms to win public sector business – Gov.uk 2013), 7 whilst encouraging in terms of market access, does not address the core issue of effective communication style and approach. It is still necessary to be professional and clear with regards to communications.

On the surface this appears to be cost based, a well-worn argument (Humancond 2008).

However, access to low cost digital communication tools is pervasive: from complex Customer Relationship Management (CRM) to websites and social media tools such a Twitter and Facebook.



The mere existence of such tools does not itself resolve the required skills and competencies needed to make such advances to grow an SME.

Enterprise and Skills Minister Mathew Hancock claims:

“Small businesses are the lifeblood of the British economy and responsible for nearly half the job creation in the UK. That’s why we are removing barriers to growth and supporting them, so that they can create jobs and compete in the global race” (Gov.uk 2013)

The majority of barriers to growth relate to “red-tape”. Whilst at times helpful, it does not address the knowledge and skills gap which contributes significantly to the high death rate of UK businesses. Access to business advice from government sources or the private sector is readily available, however as previously mentioned, you don’t know what you don’t know. Asking for advices often presupposes that the person asking understands their specific needs.

7. IS THERE AN ALTERNATIVE ROUTE?

In the UK there is a legal requirement to pass a driving test before you can drive a car on the open road. In order to do that, to the most part, a learner driver would be taught by a trained driving instructor. Clearly this requirement relates to the physical risks of a learner driver – they may cause injury or even death. Perhaps there is an argument for a mandatory skills audit for anyone entering into the business arena. It could be designed to identify the strengths of the participant and at the same time highlight areas of weakness that may negatively impinge on their chances of success. The process would be engineered to



informing the participant. It would not, should the participant have a high negative score, prevent them from starting the business. The aim would be to awaken them to some of the standard areas of threat, such as marketing or finance.

Superficially, this may sound like a novel solution. However, attempts to address business failure rate are not working and would therefore require a more innovative approach, which would have a profound impact on the UK economy.

8. CONCLUSION

Access to any communications platform for commercial purposes, will only ever be consistently effective if the user applies a structured and disciplined approach to the communications process. By understanding why you do what you do; who would buy what you do and how to reach them in a way that suits that market, will, at some point, require an acute understanding of the marketing process. The mere existence and accessibility of digital communications tools and their affordability has resulted in a plethora underserviced websites and poorly focused email campaigns in the name of effective marketing. The true cost of these errors challenges the apparent affordability of digital communications. Further research may focus on the preconceptions of people entering into business; what do they think it entails? You do not know what you do not know; asking questions may just break down this barrier to survivability and possible success.



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