ARE SMALLER MANUFACTURING ENTERPRISES (SMEs) READY TO DO BUSINESS WITH SOPHISTICATED BUYING ORGANIZATIONS (SBOs)? A PROFILE OF SELECTED MARKETING POLICIES AND PRACTICES OF 1690 SMEs

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This paper examines selected marketing practices of nearly 1700 smaller manufacturing enterprises hoping to become Wal-Mart vendors. Unfortunately, the data suggests that many are not ready to do business with sophisticated buying organizations, such as Wal-Mart Stores, with notable deficiencies occurring in marketing planning and organization, pricing practices, sales forecasting, promotional planning and competitive product analysis. In fact, management practice deficiencies appear to be a more significant shortcoming than product-related issues.

INTRODUCTION

When the first person traded something they had found, made, or killed, with another person, they engaged in marketing. When they stored, altered, moved, packaged or promoted that item they also engaged in marketing. Yet, marketing as a well articulated business strategy did not really develop until after the end of World War II. In 1952, General Electric's annual report put forth a new business philosophy that had taken root at GE by introducing:

"...the marketing man at the beginning rather than the end of the production cycle and integrates marketing into each phase of the business. Thus, marketing through its studies and research, will establish for the engineer, the design and manufacturing man, what the customer wants in a given product, what price he will be willing to pay, and when and where it is wanted. Marketing will have authority in product planning, production scheduling, and inventory control, as well as in sales, distribution and servicing of the product." (General Electric 1952, Borch 1957)

This new "marketing concept" made customers a company-wide concern and ushered in the marketing era in which it was held that the best way to make a profit was through customer satisfaction.

Although we are now a half-century into the marketing era, many manufacturers appear to have failed to grasp the essence of this concept. The authors examined selected marketing practices of 1690 smaller manufacturing enterprises and found that many lagged well behind the state-of-the-art envisioned by GE in 1952.

Project Background

The firms involved in the study were, for the most part, smaller manufacturing enterprises (SMEs), the bulk of whom manufactured or marketed consumer goods products. The data was a by-product of an effort, entitled Support American Made (SAM), to identify firms with the potential to supply product to the world's largest retailer, Wal-Mart Stores, Inc. (Wagner 1997, *Discount Store News* 1994, *Wall Street Journal* 1993) The SAM program was an

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outgrowth of the Wal-Mart Innovation Network, an experimental effort to assist independent inventors. (Udell, Glass and Bottin 1993)

Interviews with Wal-Mart buyers clearly indicated that their main concern in dealing with SMEs was their ability to serve as reliable vendor partners over an extended period of time. Management practices do appear to impact on success. (Cooper et al. 1995) Thus, it was decided to develop a venture assessment protocol to be used in conjunction with a product evaluation format originally developed under National Science Foundation funding in 1974. (*Leader to Leader* 1998, Axeton 1997)

All firms wanting to sell products to Wal-Mart but not on the retailer's approved vendor list, were referred by Wal-Mart to the Support American Made team, located in Bentonville AR, for product evaluation and venture assessment. However, the team's members were employees of the Center for Business and Economic Development in the College of Business Administration at Southwest Missouri State University. Only those firms/products that received satisfactory ratings on both their product(s) and venture were referred to the appropriate Wal-Mart buyer.

Project Purpose

In other words, the program was designed to separate the wheat from the chaff. However, the program has a strong economic development component and was not limited to simply identifying SMEs with the potential to do business with Wal-Mart. Feedback was built into the program to help reinforce correct practices and to provide participants with information and insight into those areas that they needed to improve. In addition to a product evaluation and venture assessment report summarizing the findings of the project team, each participant received two manuals, one devoted to product evaluation and the other to venture assessment, and a list of management and technical assistance resources in their area. The product assessment manual was intended to explain each of the forty-six criteria used for product evaluation. Similarly, the venture assessment manual focused on the thirty-four management practices selected for this project. (Udell, Atehortua and Parker 1997)

The research team felt that a lengthy survey instrument would not improve either the effectiveness or efficiency the program. Therefore, the number of questions in each of the functional areas was limited to a number sufficient to allow the evaluation team to judge the potential of the firm under review to serve as a supplier to sophisticated buying organizations. As a result, the marketing questions were limited to the seven areas reported below.

Study Limitations

Approximately 2200 firms participated in the project. The researchers were able to obtain both product evaluation and venture assessment reports for 1690 of these firms. The profile presented below is limited to this group. There are some limitations worthy of note here.

First, a very large group of SMEs elected not to participate. Feedback indicated that the majority opted out of the program because it was apparent to them that they were not ready for this level of distribution. There were some that refused to participate because they felt it was no one's business but their own what their level of sales had been during the last three years, or who their major present customers were. Conversations with a number of such entrepreneurs by the SAM on-site team strongly suggest that their objections were largely a smoke screen for their feelings of inadequacy, which appeared to be a realistic assessment of their level of preparedness.

Second, the strong presence of a strong economic incentive for the participating firm to look as good as possible created the likelihood of a positive bias in the data below. The participants were advised that further research would be conducted before they would be granted vendor status, and that any exaggerations would not be well received. However, telephone discussions and interviews conducted with an estimated 40 percent of the participants strongly suggest that the temptation may have proved to be too much for many of the participants in certain areas. Hence, the reader should keep in mind that the profile to follow very likely has a positive bias. This does not invalidate the data; if anything, this bias only serves to reinforce the conclusion of the study as reported below.

A third limitation lies in the venture assessment questionnaire, which was structured to encompass all of the functional areas of a manufacturing or product marketing enterprise. This placed a practical limitation on the number of questions that could be asked in each area. It also impacted on the design of the questionnaire. Hence, the instrument used in the SAM project is not a traditional research questionnaire.

Finally, all of the participants were manufacturers/marketers of consumer goods. Hence, the extent to which the data generated is representative of other groups is not known.

A Profile of Selected Marketing Policies and Practices of Smaller Manufacturing Enterprises (SMEs)

The marketing-related questions used in the SAM venture assessment questionnaire are repeated in each of the tables below, along with the alternative responses provided. As noted above, the purpose of the venture assessment was to facilitate the selection of SME suppliers at Wal-Mart, and to assist such firms in improving both their management practices and product offerings. Therefore, both the questions and some of the provided responses will deviate from traditional research norms. Let us turn to the first of the policies and practices relevant to marketing.

The Extent of Marketing Planning

A recurring theme in the literature is management's need to plan. To be sure, there are many businesses that do little or no planning, but there are many enterprises that fail as a result. Shortened product life cycles, cash flow needs, the high cost of product development and increasingly strong competition here at home from domestic and off-shore competitors are but a few of the factors that make planning a critical component in long range growth, if not survival. Competent marketing planning is far too complex and contains far too many variables to approach informally on an unwritten basis.

Table 1

Marketing Organization	
(How is marketing structured in your organization?)	
Percent	**Response**
7.8	We do not need a marketing plan for this project.
33.7	We have an informal unwritten marketing plan.
18.5	We have an informal written plan.
17.6	A formal written marketing plan is in progress.
22.5	We have a formal written marketing plan.

Note that in the above table and those to follow, the question used in the venture assessment questionnaire is contained in the table subtitle, and the responses used in the questionnaire are included in the body of the table. Both the questions and the responses were constructed with the purpose of gaining insight into the ability of participating first to serve as vendor partners for sophisticated buying organizations. Lacking the opportunity to conduct an in-depth audit, it was decided to examine certain practices and policies instead. In this instance, the relevant sample size was one – the firm then under examination. Thus, the venture assessment questionnaire was designed to yield information for decision-making purposes. This profile is a by-product of this effort.

The response, "We do not need a marketing plan for this project," flies directly in the face of marketing literature. This question was one of several "attitudinal traps" placed in the self-assessment survey. The purpose was to separate those with a hard-core unsophisticated management philosophy from those who had simply not yet matured in their management style. The intent of the self-assessment survey is to measure the risk associated with the venture side of the equation. It is one thing to consider working with a firm that doesn't have its ducks in proper alignment, but it is quite another to deal with a firm that thinks it is exempt from the rules of good management.

While only 7.7 percent of the participants fell into this category, a healthy 33.7 percent indicated they had an informal unwritten plan, which in most cases likely means they have made no serious effort at planning. Only 22.5 percent of the manufacturers responding to the self-assessment survey have a formal marketing plan in place, and another 17.6 percent claim to be working on one. The rest, 59.9 percent, fell short of where they should have been given their desire to sell product to a very large sophisticated buying organization.

No attempt was made to judge the quality of the participants marketing plans. Indeed, some may have caused more damage than good. It is probably safe to conclude that perhaps three-fourths or more of the participants have some serious work to do on their marketing plans. The picture becomes even bleaker given the number of firms that were exposed to the SAM program, but opted not to participate in spite of their desire to sell product to Wal-Mart.

Planning has for some time been considered to be critical to success. (Jain 1985) However, the odds of success are higher for those who do plan properly. (Schwenk and Shrader 1993) For the most part, those who do not plan run a higher chance of failure.

An obvious conclusion to be reached here is that the majority of the participating SMEs did not value planning sufficiently to take the time and devote the energy to the process. Conventional wisdom and management literature both suggest that these firms are not risk-free partners, particularly for large buying organizations. From the perspective of their channels of distribution, particularly large SBOs, the failure to give careful thought to marketing planning is particularly serious.

Marketing's Role in the Organization

The marketing concept places marketing at the center of a business with all of the functional areas of the business committed to satisfying the customer. (Bennett 1995) Manufacturers who have not internalized this philosophy are out of step with at least some major retailers and other SBOs. Vendors who do not line up with the marketing philosophies of their channels of distribution are likely to find themselves replaced by those that do.

While there is no single marketing organization structure that is right for every company, every firm should structure itself around the marketing concept. (Kohli and Jaworski 1990) Even the very small firm should pay attention to its marketing structure. No matter how small, every firm has a marketing function that must be performed. Unless this function is organized into a cohesive and coordinated activity, the odds are overwhelming that it will be performed haphazardly, if not incidentally, even if only one person is in charge of the entire marketing function. Without forethought, the pressures of day-to-day business will cause some aspect to dominate, perhaps to the exclusion of other elements of the marketing mix. The danger is large that concern for sales will dominate and what should be the driving force for the entire organization -- customer satisfaction -- will be become of secondary or lesser importance.

Table 2 provides an indication of how our sample of smaller manufacturing enterprises has incorporated marketing into their organizations.

Table 2

Marketing Organization	
(How is marketing structured in your organization?)	
Percent	**Response**
3.2	We have no need of a marketing department/group.
9.4	We have no formal marketing function.
58.4	In our firm marketing is part of sales.
14.8	Marketing is one of our functional departments/groups
14.1	Our firm is organized around the marketing function.

A substantial majority of the participants (85.9 percent) appear to have not yet reached the level of appreciation for markets set forth by General Electric in 1952. A majority (58.4 percent) recognized marketing as part of their organizational structure, but they placed it under sales. In other words, they had the cart in front of the horse, an approach that could cause them to be out of step with any customer-oriented SBO. Obviously, implementing the marketing concept involves much more than simple organization. Still, organization is a place to start.

If their responses are any indication, 12.6 percent of participating firms have a long way to go in implementing the marketing concept organizationally. Every firm has need of a marketing function. It is impossible for any business to function without marketing. Obviously, the 9.4 percent who indicated they had no marketing function do in fact have a marketing function. No firm can function without engaging in marketing. Similarly, the 3.2 percent that have no perceived need of a marketing department are in serious trouble if they ignore the marketing function.

These responses suggest that many of the respondents probably do not understand or appreciate the marketing function. In an economy where sophisticated buying organizations are heavily customer oriented, and where marketing accounts for about half of the cost of doing business, such ignorance is not bliss. As for the large group who indicated marketing is part of sales, these firms have it backwards. In a manufacturing operation, sales should always be part of marketing. To reverse the order is to establish a wrong set of priorities.

Pricing Practices and Strategies

As channel captaincy has shifted from the manufacturer to the SBOs further down stream in the channels of distribution, the issue of price determination has evolved into one of price negotiation. Perhaps in no other area of marketing is it clearer that the manufacturer is no longer master of its own destiny. The pricing decision will be shared with others.

The end purchaser has the ultimate vote on pricing decisions. It often comes as a rude shock to small manufacturers when buyers for channel captains dictate the price he or she will pay for a product as well as the discounts expected. Typically the buyer will price a product based on the price of alternative products, plus estimates of the selling price required to produce a level of sales sufficient to warrant distribution of the product, and the firm's target margin for that product category. Many sophisticated buyers are able to estimate the cost of manufacture fairly accurately, and they are not bashful about asking existing vendors for a competitive bid on a new product. Likewise, those that do not monitor their costs closely may forego profitability in an effort to get the sale.

In summary, in the present market it behooves smaller enterprises to use all of the pricing tools available to them. Keeping this discussion in mind, let's move on to how the firms completing the Support American Made self-assessment survey responded to this question.

Table 3

Price Determination	
(How do you typically arrive at prices for your products?)	
Percent	**Response**
1.1	Normally, we charge whatever we think we can get.
59.7	We primarily use company costs to determine price levels.
11.3	Basically we price relative to our competition.
16.7	We conduct formal competitive cost comparisons.
11.1	We primarily use formal marketing research to determine price levels.

For years, marketing texts have railed against using costs as the sole means for determining price. (Phelps and Westing 1960) However, this is what a fair majority (62.9 percent) of our 1690 smaller manufacturers admitted doing. Obviously, cost is a factor in pricing. Pricing below cost is obviously an option in the short-run, but there is a very high probability that cost-based pricing will lead to over pricing or under pricing. Indeed, only rarely will such pricing generate an optimal price. Cost simply has no bearing on what the marketplace is willing to pay. These observations are elementary and but for a single reason would be suitable only for a high school marketing text. Our sample indicates many

SME managers (59.7 percent) still insist on using this long ago discredited pricing strategy.

Formal marketing research, employed by 11.1 percent of our manufacturers is the optimal approach. Obviously, we have no way of estimating what percentage of the research conducted by this small group is well done or is seriously flawed, but at least this group appears to be headed in the right direction.

Those who price relative to their competition (11.3 percent), or use formal competitive price analysis (16.7 percent), are essentially doing the same thing. They are relying on their competition to do their job for them. If they are also basing their prices on cost, then this strategy ignores market factors. In addition, there is the added danger that the competition may face differing cost structures. Obviously, one needs to consider competitive pricing. However, using competition as a primary pricing strategy falls well short of optimal. Over the long run, a balanced approach to pricing will lead to the best pricing decisions.

Estimating Market Demand (Sales Forecasting)

Market demand is the critical variable in business, and estimating the likely demand for, or sales of, company's products is a, if not the, major factor in determining working capital needs, production schedules and inventory levels. Few firms can operate efficiently and effectively without an accurate assessment of the demand for their products. Deviations in estimates from actual results are costly in terms of both efficiency and effectiveness, and are a leading cause of business failure. (Buccino 1991) Furthermore, shifts in user tastes, the state of the economy, government regulation, technological innovation and competitive action are but a few of the variables that can dramatically affect demand for a specific product. Even in the short run, rare is the product that is not susceptible to considerable shifts in demand. Few firms face demand so certain that they can afford to be casual in how they approach the issue. Yet, as Table 5.4 indicates, this appears to be just what a lot of manufacturers do.

Table 4

Marketing Demand	
(How did you estimate marketing demand (sales) for this product?)	
Percent	**Response**
3.7	There is no need to estimate market demand for this product.
10.4	We do not have a good estimate of market demand.
16.1	We used secondary data to estimate market demand.
46.8	A general estimate of market potential was determined through sales force surveys for management assumptions.
23.1	Market demand was determined through formal marketing surveys and statistical analysis.

Although formal marketing research, and statistical analysis, may be beyond the resources of many smaller enterprises, it is still the standard for reducing the chances of missing the mark in forecasting product demand. The majority of the participants (76.9 percent) fall short of this ideal. Secondary data analysis (used by 16.1 percent) can be a useful tool, but it is typically not adequate as a primary tool. Likewise, the practice of relying on management and sales force insights (practiced by 46.8 percent) can be helpful, but cannot be relied upon as these insights often amount to little more than guesses, particularly where management is new and inexperienced. Only 23.1 percent of the participants in Support American Made had matured enough in their forecasting techniques that they use formal market research and statistical analysis.

In summary, inadequate forecasting is often a good way to fail in high volume channels of distribution. Underestimating market demand leads to lost sales opportunities and higher costs as the firm attempts to catch up. Overestimating market demand leads to excess inventories with higher inventory carrying costs and financial stress. The data in Table 4 tends to lend credibility to the concern expressed by buyers interviewed during the early phase of this project that smaller manufacturing enterprises would not be able to deliver product on time, and in the right quantities, in a consistent manner.

Awareness and Analysis of Competitive Products

During the six-year span of this project, the term "competition" was, more often than not, misunderstood. Typically, SAM participants defined competition very specifically by design or function. That is, they limited their perception of, and concern for, competition to those products that are identical or at least very similar in design to their product offering. This is obviously a very narrow view of competition; those who hold to it sometimes cling to very minor design or minor functional issues to differentiate their product from others. This may be psychologically comforting, as it allows one to easily assume there is no competition. Others view competition in market specific terms. For example, fishing tackle manufacturers tend to view their competition as other manufactures of fishing equipment. This is a "birds of a feather" approach, but in this age of rapid technological change, this view is too narrow. New competition often comes from unexpected sources.

Another approach is to view competition in terms of the function performed. This can broaden the perspective considerably, depending, of course, on how broadly one defines function. However, if the firm utilizes the functional approach, the first relevant question is, "Just what is (are) the function(s) performed by our product?" This reflects the well-known marketing quip that "People don't buy quarter-inch drill bits; they buy quarter-inch holes." In other words, physical products have very little intrinsic value or utility themselves. In addition to allowing our manufacturer to reduce the chances that it will be blindsided by an unaccounted for competitor, this view also helps the firm to see new opportunities.

One-fifth of the respondents were suffering from a comforting but potentially fatal delusion. As just discussed, just about every firm has competition. There are few, if any, exceptions. End users always have alternatives, including saving money. Firms that assume away their competition are risky potential partners. Those who have not cared enough about their potential and actual competition to consider them are likewise poor prospects for a sustainable relationship. Their attitude may be marginally better, but the net result is likely to be the same. Thus, almost half of our respondents are extremely vulnerable to their competitors, because developing an effective competitive strategy is key to increasing sales, controlling costs and limiting the effectiveness of competitors. (Lovern 1998)

Table 5

Competitive Product Analysis	
(What type, if any, CPA did you conduct for this product?)	
Percent	**Response**
20.9	No needed; there is no competition for this product.
13.6	We have not made a CPA for this product.
36.6	We generate an informal CPA for each competitive product.
20.3	We formally analyzed the major competitive products.
8.6	We conducted a formal CPA for each competitive product.

A third (36.6 percent) at least has some recognition that they do in fact face competitive threats. An informal CPA is perhaps better than no CPA. Still, the risk of overlooking significant competitors is high. Telephone and personal exchanges between participants and the SAM team at Wal-Mart yielded a relatively low understanding of competition and the threats thereof by the majority of participants. There too, nearly three-fourth (73.4 percent) fell short of doing what they could do to reduce competitive threats to their livelihood. Those that do not pay close attention to their competition do not make ideal vendor partners for those seeking long term relationships.

Promotional Plan

Seldom is there a new consumer product that enters the marketplace, is placed on the shelf and, without promotion, competes with the other 100,000 or more products carried by the typical mass merchandiser. The need for a well-thought-out promotional strategy is especially important in those channels that lend little promotional support to the products they carry. The paucity of point-of-purchase support provided by mass merchandisers intensifies the need for planing by the manufacturer. Products without promotional support enter the battle for customer attention and affection in mass distribution channels with no more than the front panel of their packages to tell their story. The "noise" created by the tens of thousands of products in a large retail store is incredible. Sophisticated buyers are well aware of the need for promotional support, and expect manufacturers to provide it. Getting onto the shelf of a modern retailer is tough. Once in the store, the task of staying there becomes even tougher as every product competes with every other product for the attention and affection of the customer. Those that do not have a clear understanding of how they intend to communicate to their potential customers make dubious vendor partners. Consequently, a promotional plan is an important component of the marketing plan for any product.

Table 6

Promotional Plan	
(Do you have a promotional plan for this product?)	
Percent	**Response**
20.6	No needed; this product will sell itself off the shelf.
17.7	We have not yet determined a promotional plan.
24.3	We have an unwritten plan.
10.8	We have a written plan, but no budget as of yet.
26.2	We have a written plan and a formal budget.

Nearly three fourths of the firms participating in Support American Made fell short of where they needed to be in the present competitive market. The answers of the majority do not instill a sense of confidence that they will be able to properly promote their product. A buyer reviewing this data has ample room for concern. So do the investors in these firms.

Let us look at the first response (20.6). As discussed above, there is an *occasional* product which can do this; but how does the product get to the shelf? Furthermore, how does the potential buyer know where to look for it? Believing that a product will "sell itself off the shelf" belongs in the same category as believing in the tooth fairy, but with one exception: for the child there is frequently someone who will deliver.

As for the second response (17.7), an old adage applies here. Namely, the road to failure is paved with good intentions. Turning to the third response (24.3), unwritten plans are almost as bad as no plan at all. They may be worse, for they frequently delude the person(s) responsible for planning that their task is done. In reality, it very likely has not yet begun. Where tasks are complex, and involve a lot of variables, informal planning doesn't work very well, if at all. Having a written plan with no budget may be a good start, but that is all it is. No promotional plan has much meaning unless there are dollars put to it.

This leaves us with only 26.2 percent falling into the acceptable range. Obviously, there are some in this group who have not done an adequate job of planning, or who have not funded their promotional efforts adequately. Thus, the percentage with appropriate promotional plans is likely to be considerably less.

The informality pursued by SMEs in the marketing planning process is reflected here again in establishing promotional plan budgets. In 73.8 percent of the cases there is reason to doubt the SME will be able to support its products with adequate promotion. Thus, there is a strong possibility that sales will fall short of the mark required by many resellers, particularly mass merchandisers.

Customer Satisfaction Orientation

While not anatomically correct, there is a good deal of truth in the expression that the heart drives the head and the feet. That which we treasure determines our direction. Core objectives are the key driving force in any area of human endeavor. The literature, ancient and contemporary, leaves no doubt about the importance of objectives. However, there is considerable variance as to what is the ultimate objective of a business enterprise.

When production caught up to and surpassed demand at the end of World War II, sales became the central objective of many manufacturers. However, it was soon recognized by scholars and business leaders that profitability is central to growth and prosperity. Many firms learned the hard way that firing up the sales force doesn't always lead to profitability. If costs are out of line, increasing sales is not a viable solution. Thus, sales gave way to profitability as a yardstick for measuring firm performance.

However, the bottom line doesn't provide sufficient insight for making financial investment decisions. For this reason, profitability is now typically measured in terms of return on investment (ROI) to stockholders or owners. ROI has the virtue of allowing management to judge its various product offerings relative to the investment required to produce and market each product or product line. Still, ROI analysis has its limitations, too. It offers little guidance to the firm in how to best produce that return on investment. The marketing concept, as discussed earlier, does address this point. According to the marketing concept, the most certain approach to profitability is through customer satisfaction. While it gets to the heart of the matter, it too suffers from a major shortcoming. The problem is basically one of positioning. The name "marketing concept" positions this central business concept as marketing's own where it had been largely ignored by the other functional areas of business activity. The total quality management (TQM) movement however, has rescued customer satisfaction from the marketing niche and has made it relevant to every functional area in both the public and private sector organizations.

The data reported in Table 7 would seem to indicate SAM participants were well along in adopting this forward thinking approach to the marketing concept.

Unfortunately, the data does not line up with the participants' responses to the rest of the questions. Either at least some of the participants had made a quantum leap forward in their approach to marketing without improving their other marketing practices, or they had provided the obvious best answer. Responses and statements made to SAM Team members during telephone interviews/discussions rule out the former possibility and lend strong support to the latter. While there were some participants who apparently had made significant progress in dedicating every function to customer satisfaction, verbal communications with those who participated strongly suggest that a majority had made little progress in moving in this direction. Indeed, many did not appear to even have an adequate understanding of, or appreciation for, the concept of customer satisfaction. According to the on-site SAM team leader, the number of participants who had operationalized this concept was probably less than five percent and that the majority was largely sales-oriented, with profitability and quality ranking second and third.

Table 7

Company Orientation	
(In our company:)	
Percent	**Response**
3.2	We are largely dedicated to sales.
1.5	Our primary focus is on profitability.
22.4	We are primarily focused on building high quality products.
2.1	Our marketing people have the responsibility for customer satisfaction.
70.8	Every function is dedicated to customer satisfaction.
1.4	Missing.

While the problem of overstating the current state-of-the-art in terms of marketing and other management practices exists throughout the questionnaire, no where else is the problem as apparent as it is here. The most plausible explanation for this phenomenon appears to be that it is here that the best answer is most apparent. In addition, Wal-Mart's position on this point is well known. The overwhelming majority of the participants were Wal-Mart customers. In other words, they had significant exposure to Wal-Mart's operating philosophy and its emphasis on customer satisfaction.

Conclusion and Implications

During the course of the Support American Made program, for every product that the evaluators felt fell short the mark, approximately 3.5 smaller manufacturing enterprises were rejected because they were not ready to do business with Wal-Mart. Frequently, the products were ready but the businesses were not. In short, the findings of the SAM on-site team corresponded with the opinions of the buyers expressed during the research conducted during the design phase of the program. In addition to the concerns expressed by the buyers at Wal-Mart, previous experience gained through the WIN program also strongly indicated that a venture assessment component would be needed in the program.

In a very real sense, the analysis of the data gathered over the six years of the SAM program did not discover any new truths. However, it did provide some empirical evidence to support the contentions that those involved in small business assistance have maintained for quite some time. That is, many smaller manufacturing enterprises are not well prepared to do business with the sophisticated buying organizations that abound in a modern economy. In a sense, for many of the companies studied, the 50-plus-year-old marketing concept has had little, or no, meaning

In addition to suggesting to smaller manufacturing enterprises that they need to improve their marketing practices, the data also suggests that economic development programs designed to increase employment in the manufacturing sector of our economy also need to look beyond helping SMEs improve their productivity. While programs like ISO 9000 and Six Sigma are laudable, alone they will not get the job done. Improving the marketing practices of smaller manufacturers is also necessary. If it ever had any validity, Ralph Waldo Emersion's "Better Mousetrap" Theory is now dead.

From a micro perspective, those SMEs that aspire to do business with sophisticated buying organizations are advised to make sure that all of their business practices will meet expectations. From a macro perspective, narrowing this gap to stimulate manufacturing and job creation will take more than a piecemeal approach of funding technical research and development, financing new venture start-ups and or improving manufacturing technology. Current federal, state and local efforts to stimulate employment in the manufacturing sector simply will need to take a more holistic approach. Deficiencies in the marketing arena are sufficient to thwart these efforts. Improving the level of their marketing practices, and indeed, the overall sophistication of America's SMEs must become an integral part of our economic development strategies, as well as a major objective of management in America's smaller enterprises.

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