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Effective Small Business Management (5th Edition)

Richard M. Hodgetts and Donald F. Kuratko

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Richard M. Hodgetts and Donald F. Kuratko are no strangers to the fields of small business management and entrepreneurship, having published widely in these areas. Therefore I approached the reviewing of the book with suitable avidity and unbridled enthusiasm!

Indeed, as we fast approach the twenty-first century, it is clear that the UK, the USA and most other developing nations throughout the world are fast becoming small business economies. Larger companies are becoming increasingly reliant on small businesses for goods and services. In many of the world's leading economies, small businesses outnumber large business and hundreds of thousands of new small businesses are formed each year worldwide. As a consequence of small business growth, government bodies and public and private institutions are fast recognizing the increasing importance of such enterprises to economic development.

It is not surprising therefore that a series of books has emerged with increasing frequency addressing various aspects of small business management. Some of these have been written from the point of view of the academic readership, the small business practitioner, or both. This text attempts to address both the academic and the practitioner, and I feel that it is in trying to attain this noble objective that the text somewhat struggles.

The book is divided into seven parts, making up a total of 24 chapters. Part 1, "An introduction to small business in the United States", covers all of the basics well. It provides us with an excellent account of the small business and is particularly effective and succinct in how it defines what a small business actually is. In particular, the authors give treatment to economic development. They present an enlightening debate on the advantages and disadvantages of starting a small firm, in that the disadvantages they articulate touch firmly on key aspects of the small business/entrepreneurship interface in this area. Most notably, they suggest that the entrepreneur's lack of experience, lack of technical knowledge and lack of management experience are the key reasons for small business failure. Unfortunately, however, the authors then leave these key issues and move on to what, in itself, is a very good discussion on family business, but with perhaps an over-emphasis on the development of succession strategies. In Part 1, and indeed throughout the remainder of the text, the authors have a persistent tendency to make lots of broad recommendations for small business practitioners that are so vague and general as to be of little use to anyone. In addition, they tend to be too didactic in their approaches to the various topic issues, assuming all the time that the readers of this text have no

knowledge of small business/entrepreneurship theory or practice or of any issue raised.

Part 2 of the text deals with “Opportunities for getting into small business” and suggests several ways in which this can be accomplished. The authors even suggest a formula approach for doing this. Once again, however, the authors in addressing this are much too pedantic. For example, they attempt to marry this with a discussion of the key aspects of marketing management and, subsequently, lose focus entirely. Similarly, the authors outline what a business plan is and indicate a practical approach as to how small business owners might compile a plan. Although they do include a very good worked example, I cannot help but feel that in the context of what the book is about, this important dimension is dealt with too early. By default, the authors get into the practical application of aspects of business planning that have not yet been adequately addressed in the text. What is most disappointing about this part of the text, however, is that in spite of a sound recognition of the nature, characteristics and nuances of small businesses, there is a glaring disregard for these issues and aspects, and what is offered is a formal, textbook approach to business planning.

In addition, the text forcefully advocates the importance of marketing planning and explains how crucial good planning is to business success. Yet marketing planning is paid scant attention in the book. It is inconsistencies like this in the authors’ approach that are frustrating when reading this text. Suddenly the authors make a bold, insightful statement and suggest what should be a stimulating discussion only to have flattered to deceive.

Part 3 of the text focuses on “Start-up concerns” of small businesses, addressing issues like capital location and layout and legal dimensions. While this section goes some way to decomplicate the legal issues at work in business start-ups, it places far too much emphasis on explaining legal terminology. The main concern here, though, is that after reading this section I had to ask myself what is the value of these chapters to either academics or small business owner-managers. Take, as an example, the detailed section on store location and layout, which reads like an abridged version of a textbook on the same issues. This is a common flaw throughout the remainder of this text, as the authors proceed to deal with a diverse range of often arbitrary topics in the same fashion.

Part 4, “Managing operations”, addresses the nature of the managerial process; while the authors do acknowledge the true nature of planning in small businesses, they do so only briefly and cursorily. They then simply proceed to discuss the managerial process from the “all I know about management” perspective. This section once again is normative and theoretical in tenor and really fails to take account of small business/entrepreneurial characteristics.

In particular, I would have expected the authors to deal in great detail with the advantages and disadvantages of small firm size as they discussed the key elements of growth. They do, for example, in talking about small firm flexibility, allude to the capacity of small firm owner-managers to engage in

personal contact networking. They then, however, leave this important dimension undeveloped.

In their treatment of the transition from entrepreneur to manager, the authors articulate the fine balance of the transition well, only to move on immediately to a less than relevant section about TQM, once again missing the opportunity to engage in a potentially dynamic discussion. A confusing aspect of Part 4 was the discussion of research approaches offered in Chapter 13, where I feel that yet again the focus was misdirected, in that in a text of this nature perhaps it would have been more beneficial to debate the appropriateness of marketing research as such for small businesses and the ways in which small businesses actually go about gathering market information.

Part 5 of this text looks at “Marketing goods and services”. It focuses heavily on trying to convey a clear understanding of what a market is. The authors never, however, actually manage to define what a market is and in their attempts to do so create some confusion as to what is a market, a market segment and a market niche. Their approach to understanding marketing borders on being blasé, merely touching on theory in a stacatto fashion, lacking structure and, indeed, relevance to small businesses. The authors once again address the marketing research issue here, but yet again adopt a formal, conventional approach with a total disregard for the specific needs for information gathering in small businesses.

Pricing for small businesses is also addressed by the authors. They do so extensively, in that all aspects of pricing are covered, albeit in a superficial way. Consequently, the section on pricing and pricing policies is of limited use to anyone, let alone the small business owner-manager. Priorities and personal selling are also examined and discussed in this section. There is, however, an over-emphasis on advertising theory and facets of personal selling, with almost total preclusion of the dimensions of publicity and public relations – surely much more important issues in respect of small business marketing? Indeed, in general, the way in which marketing for small businesses is addressed is disappointing. Anyone with even very limited exposure to marketing education or training would be advised to ignore this section.

Parts 6 and 7 of the text focus on “Finances and inventory control” and “Current issues in small business”. The subjects raised in these sections are no doubt of importance in running a small business, but the approach taken in the text is less than suitable. As with previous sections, the authors deal with a variety of topics ranging from ethics to insurance, to legal concerns, in a fashion that makes the chapters read like assortments of texts on the same subjects. It would have been better, I feel, if the authors had built on their undisputed knowledge and expertise in small business management and entrepreneurship to present these subject areas in a more meaningful way, tailored to the needs and nuances of small business managers, as acknowledged in Part 1.

On a more positive note, the book has an excellent structure. For example, the authors throughout make good use of tables, charts and other exhibits to summarize information and to reinforce important concepts. Each chapter

begins with a clear statement of learning objectives. Every chapter concludes with a concise, part-by-part summary of the key topics covered. The review and discussion questions at the end of each chapter are good and address the major chapter contents well.

The real strength of the book, however, lies in certain highly interesting features. In each chapter a small business success story is featured. In addition, each chapter contains the "Small business owners' notebook" – a short informational item that is designed to identify key issues that affect the small business owner-manager. At the end of each chapter there are two short case studies that are excellent in focus, dealing with real small businesses (2-20 people) and provide students with an opportunity to apply what they have learned in the chapter to actual small business problems. I particularly liked the "you be the consultant" cases, also at the end of each chapter. These cases pose more comprehensive problems and they call for the application of all of the material in the chapter as well as the students' experience and prior education. Finally, each of the seven parts of the book concludes with a comprehensive case study that integrates a multitude of relevant chapter topics.

In essence, the book starts out exceptionally well, illustrating a keen understanding of small business entrepreneurship and associated issues. Unfortunately, though, this understanding is not reflected throughout the text. After Part 1 it reads too much like a collection of extracts from larger textbooks on highlighted topics. The book is not, however, clearly theoretical nor practical and does not blend the two very well. Indeed, if anything, it presupposes that the reader has no prior knowledge of any of the subject areas. It is, though, a well structured text, full of useful exercises, excellent examples, excellent illustrations and, more importantly, it is easy to read. In spite of the highlighted deficiencies, I would recommend the book to anyone wishing to gain a broad understanding of the key issues in small business management. In addition, I would commend the book for the highly interesting dimensions of structures discussed previously. Finally, the book serves as an excellent reference source for literature on the various aspects of small business management. Either way, the book is a welcome addition to this growing field.

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Chaos Marketing: How to Win in a Turbulent World

T.H. Nilson

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This is actually a book about entrepreneurial marketing. Its focus is on effective marketing management in an environment which will be familiar to most marketing managers, that is, one characterized by significant turbulence and rapid, largely unpredictable, change. The author suggests that events