

# 11. Sources of Information and Research Methodology

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## INTRODUCTION

This chapter should be read as an introduction to Chapter 12 on business plans. It examines some of the research methods which may be necessary as background preparation to provide information for either a feasibility study or the strategic business plan. We also mention briefly some of the secondary sources of information which are now commonly available. One of the problems that entrepreneurs face is that often they do not have the time to research market opportunities properly. Obviously they will not have either the resources or the time to spend on collecting data. In recent years some institutions have utilized the potential of student assignments with local entrepreneurs which may have helped with this problem. Assignments are given at the end of the chapter with suggested guidelines and outlines of requirements. For entrepreneurs who wish to carry out research to write their own business plans, there are still a lot of sources that can be accessed quickly and even if some primary market research can be undertaken, this will improve the assumptions and market forecasts which are used for the business plans and be more likely to influence potential funders in a positive way.

This chapter aims to provide some guidelines only for carrying out basic research for a business plan. It does not attempt to provide a comprehensive survey of research methods. There are adequate books which can be examined on research methodology and we cannot do justice in the confines of this chapter to a full discussion. However, it is probably true to say that the majority of business plans are put together with either no or very little research and, in consequence, this will affect the information in the business plan, the way that it is presented and the way that it is received by potential funders.

For students, if you can provide a methodology section for the business plan (or feasibility study), then its quality will be improved. It is important to give some attention to the methodology adopted to carry out your research. It is insufficient to explain methodology in terms of either secondary or primary sources of data. Research methodology is concerned with whether you have used quantitative methods, how you analysed them, and whether you used qualitative methods. If you can use a mixture of both quantitative and qualitative survey methods, as well as secondary sources of data where relevant, this will improve the quality of information that is presented in the business plan. It may not be appropriate, however, to use both quantitative and qualitative methods, although

a section on methodology should explain why you decided to adopt one or both methods.

Research methodology is dealt with in more detail later. We begin with a brief survey of some secondary data sources that you may wish to consult.

## THE IMPORTANCE OF INFORMATION

All organizations operate in conditions of uncertainty. There will always be only a limited amount of information about competitors, the price of their products or services, strategic decisions of competitors, preferences of customers and costs of operation. However, uncertainty can be reduced by obtaining information which will reduce the possibility of making mistakes regarding crucial business and strategic decisions. The entrepreneur and small firm can be at a disadvantage because they do not have the same resources as large firms to enable them to carry out information gathering, particularly where this might involve obtaining primary data. Nevertheless much information can now be obtained through secondary sources and the availability and content of these sources continues to grow. In addition, the development of the Internet with search techniques has put the on-line user in touch with a vast number of sources of secondary information.

The appetite for information, especially by large firms, continues to grow. For example, the development of loyalty cards by chain store retail outlets has been one method of obtaining details on consumer spending. Information on consumer spend is becoming more sophisticated and allows large firms to target goods at niche markets and to tailor advertising campaigns accordingly. Despite the growth of different methods of improving market intelligence, firms still rely on secondary data and trends displayed by such data. For example, in the construction industry, builders are only recently adjusting to the increased demand for single-occupancy dwellings, reflecting demographic changes in society which become apparent only on examination of secondary data.

A business is often at its most vulnerable when launching, because it will not have the same knowledge or information as its competitors. It will need to establish a range of contacts with suppliers and buyers; its credit rating will inevitably be low, it may not be aware of what credit it can take advantage of, and what are the best sources of advice. There may also be shortages of skilled labour and it will still have its reputation to establish. These problems can at least be reduced if a new business takes advantage of the wide range of sources of information that are now available. The purpose of this chapter is to examine some of these sources briefly. There is such a wide and expanding range of secondary sources that we will only provide brief notes on these.

*Information and technology note* The acquisition of information becomes particularly important for firms that employ high technology or are engaged in fields in which technology is rapidly changing. Thus the importance of successful R&D becomes crucial to the success of firms in high technology fields. Recent studies have pointed out that R&D itself may be carried out by firms merely to gain information and knowledge. See in particular, Cohen and Levinthal (1).

## SECONDARY DATA SOURCES

Sources of information are conveniently classified as either primary or secondary. All secondary information sources include officially published data, provided by the Government or their agencies or by other institutions such as banks, CBI, trades unions, local authorities and chambers of commerce. Most institutions also have on-line Web pages, which may provide access to sources of information. For example, the DTI provide information via the Internet through their 'Enterprise Zone', containing information on Business Links and their services.

It is likely that, in the future, printed sources of statistical data will become redundant as on-line access methods are developed. However, at present we still review the main sources of published data. Some indicative and brief notes follow on the main official publications of the Office for National Statistics (ONS). These are conveniently classified as either general or (more) specific sources.

### General Sources

#### *National Income and Expenditure Year Book*

The so-called 'Blue Book'. It contains the main components of national income and expenditure in the form of summary tables. It is useful if you wanted to know national or regional data on say output, incomes, wages or prices.

#### *Annual Abstract of Statistics*

Again this is a comprehensive source of secondary data, containing summary tables on population, national income and the labour force. It is more comprehensive than the blue book, containing more details on regional characteristics and financial data.

#### *Census*

The national census is the ultimate secondary data source and the most comprehensive demographic information source. For businesses it represents a valuable potential data source for their marketing campaigns and data on potential markets. It will contain a lot of socio-economic data on standard of living, material possessions and life styles. The census data is analysed and published in a more useful form through separate publications on particular demographic features of the population. For example, Ballard and Kalra have published a breakdown of ethnic minority demographic data (2).

As we have mentioned, these sources are only indicative. In practice it is more likely that you will need and use more specific sources which provide detailed information on such topics as, say, the proportion of women who are under 25, married, with children, in socio-economic category B. Also we would want more recent information because there is an inevitable time lag with the publication of general sources of information. The following sources could be included in this category.

## Specific Sources

### *Monthly Digest of Statistics*

An up-to-date survey of the main components of national income, including wages and prices. This is less comprehensive than the general sources above, but has the advantage of being relatively recent.

### *Economic Trends*

Summaries of the main economic indicators with articles on changes and forecasts where appropriate. Again this is a monthly publication and as an indicator of future trends in the economy is thus one of the more useful of the official sources for businesses.

### *Regional Trends*

Similar to *Economic Trends* but with the emphasis on regional variations with indicators of differences in standards of living between the regions. Obviously this could be a valuable source of information for a small business seeking to obtain regional data on employment, income and market trends.

### *Population Trends*

Up-to-date demographic data with articles on birth rates, death rates etc., and their implications for the future characteristics of the UK population. We indicated above that such data can be important, for example, to the construction industry. It will give indications of lifestyle changes (e.g., increased numbers of single people living alone) which will be important for consumer spending patterns.

### *Financial Statistics*

Contains the main financial indicators, including money supply and dealings in the security markets; bank and building society advances, data on non-bank financial intermediaries, interest rates and data on the wholesale money markets.

### *Bank of England Quarterly Bulletin*

Money supply data but including the balance sheets of the banks and the Bank of England.

### *New Earnings Survey*

An annual publication that gives detailed information on earnings, hours worked, overtime, holidays and general labour market information including unemployment and job vacancies. The detail in the survey can be quite valuable for businesses. For example, it gives wage rates by occupation for men and women and the hours that they work.

### *Business Monitors*

The business monitors are a valuable source of reference for entrepreneurs wishing to start a new business or expand an existing business. They provide valuable information on particular business sectors and can be obtained from many of the larger reference or university libraries. They contain output data on industries and sales. It will give information on output in the industry and thus some information on competitors. Business monitors are a very good reference source for general trends within an industry. For example, on the car industry a business monitor will provide recent information on production, sales of different models, output levels, exports and imports and market share of the main producers.

### *Census of Production*

Output figures and tables, including concentration measures. This publication also contains the Standard Industrial Classification (SIC) which is periodically updated in the Department of Employment's *Labour Market Trends* and is a useful reference for researchers.

### *Labour Market Trends*

A monthly publication that often contains articles of interest to small businesses. For example, it gives periodic articles on the number of new firms (and deaths). It contains details on labour force statistics, including earnings, unemployment and hours worked.

## On-line Databases

The development of on-line databases gives advantage in terms of direct access and downloading data. Many of the official sources above are now available as databases accessed by computers. For example, a university may have access to a ONS database at Manchester University which holds data from most of the ONS publications. One of the advantages of these 'on-line' databases is that the full, time series data can be downloaded onto a micro or for analysis straight into a statistical package, if students are working on researching feasibility studies and business plans at the university. Thus statistical analysis can be carried out easily and immediately.

EXSTAT provides micro-level data on individual companies including profit levels, turnover, asset size, shareholdings and general financial/accounting data. These EXSTAT databases are a development of the EXTEL cards which used to be available in a published form in some libraries. They are, effectively, brief summaries of an individual company's financial and trading record. For entrepreneurs and small businesses they are a potentially valuable source of information on the profitability and performance of existing competitors. However, they only provide information on limited companies, so do not include information on small 'micro-businesses' which are partnerships or sole traders.

A number of commercial databases are now available where information at the micro-level can be obtained for a fee to the commercial company that compiles and markets the database. These include DATASTREAM which contains detailed financial and share price information, and KOMPASS, a powerful pan-European database containing detailed information on companies throughout Europe.

### *CD-ROM Databases*

Most libraries now have databases that store basic statistics on a CD disk. These may be databases of literature, journal articles or statistical and financial information. The development of these databases has made 'literature searches' far easier and nowadays there is an increasing amount of information and basic data which is available on CD-ROM.

One financial database which is available on CD in some libraries is FAME. After a little practice it can be used as a valuable source for financial data on the SME sector and the performance of firms.

There are obviously many other secondary sources of information. Local authorities often publish useful local economic reports. These may also be available from other agencies such as the Training and Enterprise Councils (TECs) in England and Wales and the Local Enterprise Companies (LECs) in Scotland. They will often be a valuable source of local 'intelligence'. In some cases this local information may also be available on CD-ROM.

It is impossible to list or discuss all that is available in the confines of this short section. The quality and value of the information will also vary from one area to another. However, the advantage is that it is often freely available, whereas to obtain some information, e.g., on CD-ROM, may either involve a fee or the purchase of the database itself. We would encourage the researcher to seek out what is available locally. Breakdown of local economic information is often made available on enquiry, even though it may not be published.

One source of secondary data that may be either overlooked or under-rated is the trade and industry journal which is appropriate to the business proposition. Again the value of these publications is variable, but they can be an important source of market intelligence.

### Trade and Industry Publications

Apart from commercially available on-line databases, there are a number of private sector publications which can be useful to entrepreneurs and small firms which need to research new market opportunities and assess existing or potential competition. Trade periodicals will provide *qualitative* information on prospects and performance of companies in their industry. This is often quite useful and provides an alternative to the *quantitative* information that is available through the secondary sources given above. For example, an interview with a managing director in a trade publication can often give an insight into the strategic decisions and planning of the company. These publications may also be useful for names of contacts, who to approach when dealing with a company. More detailed

quantitative information may occasionally be published through their own survey of subscribers, perhaps by a questionnaire survey.

## Mintel Reports

If either access to a good library is available or one can afford the fee, then there are the valuable Mintel reports which provide market intelligence reports on particular products or sectors. They use market research methods to provide information on competitors' products and sales figures. They are obviously very valuable for potential or existing entrepreneurs and they can provide information that would otherwise be difficult to collect. However the Mintel reports are expensive (it's large firms and libraries that can afford to pay for them) and for the vast majority of small firm entrepreneurs it is more likely that they will have to rely on primary sources of data and research in order to obtain market research information.

## The Internet

An alternative approach to gathering information on competitors may increasingly be through the Internet. Most, if not all, large firms have their own Web page, and with the search engines that now exist, information can be obtained and downloaded on potential competitors. The Internet will become more important in the future as more organizations develop their own Web pages and an increasing range of sources of information become available. At present, however, printed versions of secondary sources are still in demand, because of the time taken to search the Internet and the variation in quality on Web pages. For example, until a Web address is accessed, at present the researcher is unlikely to know the extent and quality of information that is made available. Until there is more published information about the quality of different sites, this will always remain a problem. The Internet is a valuable source, but only if the researcher has time to search it.

## Other Secondary Sources

A number of agencies operate an intelligence service and databases specifically designed to provide information for small firm entrepreneurs, for example, sources of finance or sources of assistance. The quality and availability varies from region to region and may be affected by institutional arrangements in any one area. For example, local government reorganization can affect the range and quality of sources of information available from the local authority.

Institutional arrangements will vary from region to region, but there are also Euro-information centres in selected localities which provide a range of information on European funding and assistance.

This area is rapidly changing and with the development of on-line databases more information is becoming available, although there may often be a fee to use some of the services. Some centres now provide a patent database which

allows potential users and entrepreneurs to search for existing patents in a particular product/field, but there is a fee for using it.

## PRIMARY SOURCES

Although there is a vast range of secondary sources of information, it will be appreciated that they often do not provide the right combination of data or perhaps the data is incomplete. There are many situations where this is going to happen when entrepreneurs are searching for specific information regarding products and potential demand. If you are considering launching a new product, the only way to find out information concerning potential demand is to carry out your own market research using survey techniques and questionnaires.

There are a number of ways that primary information can be obtained, the most obvious being through the use of questionnaires using a variety of methods including postal, telephone and face-to-face interviews. Data may also be obtained by observation, e.g., traffic surveys; by interview over a long period of time (longitudinal research) to establish, say, whether there are changes in social attitudes; by records of respondents, e.g., purchases of families recorded by the Family Expenditure Survey. A brief survey of some of the methods of obtaining primary data is given below.

## Survey Methods

In the feasibility study and/or subsequent business plan, you may wish to organize a survey of potential customers for yourself or your client. There is a danger that these surveys will be done superficially, by using questionnaires that only reveal the most basic information. You will need to aim for high quality information and that can only be achieved if your questionnaire and survey is well designed. Since the information obtained from any survey is going to form the basis of conclusions and recommendations in your final business plan, the quality of this plan is going to depend crucially upon your research techniques and the design, of your questionnaire. Past experience has found that entrepreneurs/students who carry out their own research pay insufficient attention to the design of questions and the survey method used. Some careful consideration to both of these aspects will improve the quality of analysis that can be carried out subsequently in either a feasibility study or business plan.

Survey methods include questionnaire-based surveys, normally postal or telephone, and interview-based surveys which may be more open-ended.

### *Postal Surveys*

Although postal questionnaires can be carried out more cheaply than interviews and can be used where a large survey might be required relatively quickly, they suffer from a number of disadvantages which means that they are better avoided unless there is no alternative. However, in conjunction with a smaller interview-based survey they can provide useful basic data.

The disadvantages of postal surveys are that:

- Response rates are usually very low (even with incentives provided for respondents)
- Replies may be unreliable, consequently samples are biased
- Responses will be self-selecting—those that do respond will probably have particular motives to reply
- The extent of questions that can be asked is limited and the questionnaire must be constructed very carefully to avoid misinterpretation by respondents
- Some responses may be incomplete making analysis quite difficult.

These disadvantages, however, need not necessarily rule out postal surveys in appropriate circumstances. For example, if you obtain a mailing list of the members of a particular association you may wish to test how many of the members might buy a new product or service. If the mailing list consists of several thousand names, a postal questionnaire may be the only option which will allow you to survey the full membership.

*Note* It is stressed that great care should be taken on the use and design of postal questionnaires. Get advice from someone who has had experience of using this research method. Use reply-paid envelopes and pilot the questionnaire beforehand. Use incentives to encourage replies if at all possible and do not rely solely on this survey method. Combine it with interviews of a small sample of the population which will provide more reliable data and provide a check on the value of the postal survey. Use 'closed' rather than open-ended questions as described below.

### *Telephone Surveys*

Telephone surveys can be used where time is of the essence and you wish to ensure that the response rate is reasonable. However, telephone surveys still contain many disadvantages:

- The range and type of questions are severely limited since replies are given over the telephone, although the questions can be posted in advance so that the respondent has them available when you phone
- Some people object to answering questionnaires over the phone
- The respondent has little time in which to consider replies and this limits the type of question that can be asked
- If data is required the respondent may not have this easily available, which can lead to incomplete responses.

Telephone surveys probably suffer from more disadvantages than any other method, but they are useful occasionally, and should not be ruled out, e.g., in situations where you need to obtain some basic and limited data quite quickly. They can also be used in conjunction with a more comprehensive postal survey.

## *Interviews*

Face-to-face interviews have the advantage that issues can be explored in more depth. They can provide qualitative data on values and opinions of respondents as well as the more basic quantitative data. However, interviews can be difficult to carry out and the researcher needs to have some method of recording responses. For full in-depth interviews a small tape recorder is normally the way to record all the information provided by the respondent. Face-to-face interviews are therefore desirable but they still have a number of disadvantages:

- Interviews are subject to the personal bias of the interviewer. Questions need to be carefully designed and even then the interviewer can affect the outcome by placing his/her own interpretation and explanation of the questions.
- The survey will by its nature be limited in the coverage of respondents and unless they are chosen carefully this can provide a further source of bias. Without access to unlimited resources the number of interviews that can be carried out is going to be relatively small.
- If the interview is open-ended and assuming that some acceptable method of recording is found, there is still the problem of adequate analysis and categorizing of responses.

## *Focus Groups*

A focus group involves the selection of a small number of respondents that meet together with the interviewer and opinions are provided in an unstructured way to prompts from the interviewer/facilitator. They have the advantage that they can avoid bias on the part of the interviewer, but their disadvantages include:

- They can be difficult to arrange and organize with a group that is representative.
- It is difficult to get a balanced group that will not be dominated by one or two individuals. If focus groups work they have to have synergy, that is, the group (or sum) contribution should be greater than the parts.
- It is difficult to record the outcomes of the group in a coherent way. As a result, analysis of outcomes can be difficult.

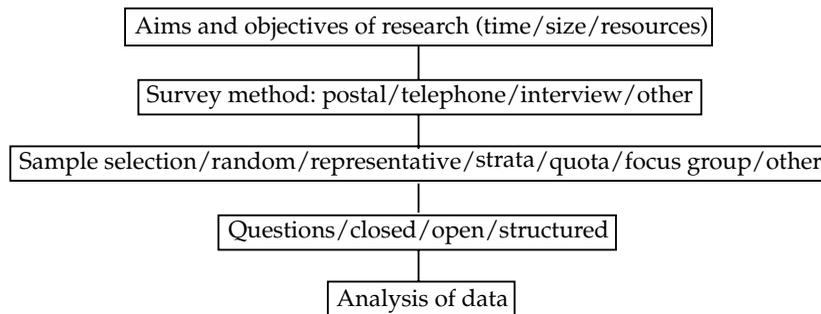
Focus groups can be a useful method of obtaining additional qualitative data and are often used in market research to discover customer opinions and preferences about particular products.

Any survey method will depend, for accurate and coherent subsequent analysis, on the research design which will include the questionnaire design. It may be acceptable to combine these different survey methods, for example, short interviews of a reasonable sample may be combined with more in-depth material with a small number of respondents. In-depth interviews are designed to obtain qualitative information whereas larger surveys are designed to obtain quantitative information.

## Research Design

The research design and survey method used will depend on the aims and objectives of the research. For example, a full feasibility study undertaken in advance of a business plan will aim to provide both quantitative data and analysis and more in-depth qualitative information so that a combination of methods will be appropriate. A brief survey required by an entrepreneur to prepare a business plan will need a quick response survey and may involve a mere telephone survey of potential clients. Whatever the objectives of the research, however, some attention should be paid to research design, sampling method and questionnaire design.

Research design involves the selection of the appropriate survey method(s), the sample and the design of appropriate questions. The design involves matching the survey method or combination of methods to the aims of the study and research. Good research design and some thought to the survey method used will pay dividends later in analysis and the production of the final business plan. This is shown in diagrammatic form in Fig. 11.1.



**Figure 11.1** Research design

### *Sampling method*

Some attention should be paid to how you are going to choose your sample. The sampling frame may be provided, such as a membership list of an association; you may then decide to survey the whole membership, the population, or choose a sample. How this sample is chosen will affect the interpretation that can be placed on the final results.

The sample will be drawn from some sampling frame such as *Yellow Pages*, a membership list, or perhaps the electoral roll in a local area. Samples may be of the following types:

- *Purely random* To select a true random sample each member of the population must have the same chance of being selected. One way to choose a random sample is to generate random numbers

using a computer program. You use the numbers to select respondents from your sampling frame.

- *Representative sample* A representative sample contains a microcosm of the features of the population in their appropriate proportions. Thus if you are surveying firms, you may wish to have representations of different firm sizes in true proportions to their numbers in the population of all firms. That is, 95 per cent of your sample should employ less than 20 employees. The extent to which your sample can be representative will depend on having information about the population. Samples can only be representative if features of the full population are known, such as the proportion that earn less than 'X' per week, or the proportion that are male/female, married/not married and so on.
- *Stratified sample* A stratified sample attempts to break down the population in a coherent manner using one or two criteria. One example might be size of organizations which are respondents. The sample is not representative in having true proportions but you use the criteria of, say, size of firm as a way of ensuring some representation is included from each group or 'strata' of the population. Samples may be chosen randomly from each strata if the sampling frame permits this.
- *Quota sampling* Quota sampling is a commonly used technique in market research where a characteristic of the population (often age/sex) is used to provide quota numbers for interviewers to ensure a minimum number of respondents is identified in each category. In contrast to stratified sampling this method is often used where no sampling frame is available.

Given limited resources and time the entrepreneur may have little scientific basis for the selection of the sample. A small amount of research will pay dividends, however, and prevent the business plan appearing as though it has been 'thrown together'. A short methodology section in the business plan (or feasibility study) will indicate that some thought has gone into the research behind the plan and that assumptions are well founded, have a good basis and the strategic plans and projections are not haphazard or just 'dreamt up' by the entrepreneur. This can make a tremendous difference and also affects the confidence in which you can present a business plan to any potential funders. Good research will not leave any 'holes' that can be picked upon by potential backers of the proposition.

### *Question Design*

As before, some care devoted to question design will pay dividends when analysing results of any research. There are some simple rules which can be found in any statistical textbook, for example, questions should be:

- Unambiguous
- Relatively short

- Not biased or leading in some way
- Achieve the objectives of the research
- May be structured/semi-structured or open-ended, but open-ended are generally avoided with postal questionnaires.

It is desirable to have some method of *coding* questions. This enables analysis to be carried out with, preferably, a statistical package on computer or using a calculator.

*Coding questions* An example best illustrates the value of coding questions. Suppose you were carrying out some research into customer preferences when buying a product/service. You could ask a question in the following way:

Please indicate which of the following factors is important to you when buying 'X' (tick box as appropriate):

- |                         |                          |
|-------------------------|--------------------------|
| (a) Price               | <input type="checkbox"/> |
| (b) Quality             | <input type="checkbox"/> |
| (c) After-sales service | <input type="checkbox"/> |
| (d) Speed of delivery   | <input type="checkbox"/> |

The problem with this question is that it does not allow the respondent to distinguish between the factors that might be important when buying 'X'. A better question would ask the respondent to rate the importance of each factor on some scale. For example the question could also be worded in the following way:

Please indicate the importance of the following factors to you when buying 'X' according to the scale provided. Enter your rating in the box provided:

- | Scale:                  | <i>Most important</i>    | <i>Least important</i>   |
|-------------------------|--------------------------|--------------------------|
|                         | 10                       | 1                        |
| (a) Price               | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Quality             | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) After-sales service | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) Speed of delivery   | <input type="checkbox"/> | <input type="checkbox"/> |

The advantages of the coded response are that they can be entered numerically and it is easy to calculate the average score for each response and percentages in each category.

There are a wide variety of acceptable questions that can be used, including the standard YES/NO which are sometimes called *filter* questions. The less categories that are used, however, the more we are forcing the respondent into a pigeon-hole of our own choosing. Although such closed questions are desirable, their limitations mean that we would want to combine any analysis from these questions with more open-ended questions that can be used in an interview situation or with interview-based research.

Open-ended questions should still aim to be neutral and avoid bias. It is often difficult to do so and therefore it is strongly recommended that some time

should be spent on *testing and piloting* the questionnaire. Questions can then be either omitted or redesigned in the light of the pilot test. Of course, piloting does take time and resources. If you do not have the time to do piloting, it is worth mentioning, again in the methodology section, that this was at least considered.

## Analysis

Having taken care with the research design that underpins the eventual business plan (or feasibility study) it is important to pay some attention to the analysis of research and, more important, to the presentation of that analysis. The analysis stage will directly affect the quality and presentation of your final feasibility study and the business plan. If the research design is strong, this will be reflected in good analysis and presentation. If too many yes/no questions are used or insufficient probing is carried out on respondents in the survey, this too will be reflected in the quality of material that is presented in the final business plan.

We are not looking for sophisticated statistical analysis; there is a danger that blinding people with science may put off potential investors. Good presentation of basic analysis such as percentages and averages will go a long way to persuading readers that the research behind the business plan is serious. It must not be presented in a way that leaves the reader baffled.

Thus in the analysis stage the student or the entrepreneur should aim to ensure, in a relatively simple way, that the reader can understand basic data, percentages and assumptions behind the income forecasts that are used for the cashflow forecasts. Where a computer package is used for analysis, it will be relatively easy to produce bar charts and pie charts that illustrate the basic data that lie behind the projections in the cashflow. As discussed before, depending on the design of the research, you may have quantitative and/or qualitative analysis.

### *Quantitative analysis*

Statistical measures which are presented include the arithmetic means, medians or mode. These measures often appear to mean very little on their own and it is useful to present them in conjunction with the standard deviations where these are easily available, say, from a standard computer package. Standard deviations can tell us much more about the characteristics of the sample of respondents than the arithmetic means. They indicate the degree of variance behind a statistical measure. Using the example above of the coded question on factors affecting purchase, if the standard deviations are known as well as the arithmetic means this will enable some knowledge of the degree of variance of respondents' replies. If price has a high mean score (of importance) but a high standard deviation this would mean that there are some respondents that do not think that it is important and it would be worth investigating in more detail with them why that is the case.

For students, this information should also be written up as part of your methodology section in the feasibility study and business plan. The methodology section will include the sources of information that you used, for example, secondary, as well as the survey methods.

### *Qualitative Analysis*

Small sample sizes of less than 30 respondents may be used for qualitative analysis. Yet this form of analysis is often powerful and of more use to the entrepreneur or potential funder. Qualitative analysis aims to look at process and causes of actions. For example:

- Why do respondents buy or not buy a particular product or service?
- What do respondents think of the service or product provided by the client?
- Do they have any complaints?
- How do they think that the service or product could be improved?
- If they buy a different service or product, why?
- You may want to ask questions about the range of provision, for example, can they obtain the product? are opening times suitable?
- What do they think about the quality of the product?

By the nature of the investigation, qualitative analysis usually (but not always) involves open-ended questions. The interview will last for a lot longer; 30–60 minutes is typical, and you must have some method of recording the interview.

### *RECORDING INTERVIEWS*

Recording the interview provides the basis for the analysis and again affects the quality of your feasibility study and the final business plan. A useful methodology is to carry out a quick quantitative survey for the feasibility study and then a more in-depth qualitative survey for the business plan. You may wish to hold interviews with existing customers as well as potential customers. There are two methods of recording interviews:

1. If you are working as a team and carrying out the interviews together you can afford to have one member making notes and another member of the team asking the questions. A third member can be used to record other information such as the reaction of the respondent to certain questions, the nature of the surroundings and how these might affect the interview. All this information is valid for qualitative analysis.
2. A better method is to record the interview with a small tape-recorder. This allows one member of the team to carry out the interview and enables all the information to be recorded. Nowadays tape-recorders can be relatively unobtrusive. However, the permission of the respondent should always be obtained first. Respondents are not always agreeable to having their interview recorded.

### *Analysis of Interviews*

Qualitative analysis should not be unstructured. There needs to be some purpose to the questions and if they are structured this will allow for meaningful

analysis afterwards. One or two short quotes are sometimes a powerful way of backing up the quantitative analysis. However, do not overdo this since more than minimal use of quotes from the interviews will tend to obscure the principal factors that you wish to emerge in the overall analysis of the research.

## CONCLUSIONS

The final business plan is only as good as the research that underpins the projections. The purpose of this chapter has been to ensure that research is not done on a haphazard basis. Research should have a sound methodology. While any investor will not be looking for a full research study with a full explanation of research methodology and sophisticated analysis, he/she will expect that assumptions used for forecasts have a sound basis. If this basis is rooted in appropriate methodology and survey methods and you can demonstrate that some original (primary) research has been carried out, then the confidence of both you as the entrepreneur and the investor will be that much better. This can be particularly important if the business plan is going to a venture capitalist or perhaps a business angel for funding where they will be much more concerned (than, say, a banker) with the extent of primary research and the way in which that research has been carried out.

The value of the research to the entrepreneur is that, apart from making projections in the business plan more accurate, it can provide the following advantages:

- It gives increased confidence in the presentation of the business plan to potential funders/investors
- It can provide revised calculations of the potential success of the business or the market opportunity
- It provides basic calculations which will serve as a planning document to measure performance of the business over a number of years into the future—without sound methodology and research this will not be possible or will be extremely unlikely
- It can provide a database of potential customers which can be returned to later to carry out further market research on extensions to the business or research into the viability of new products.

We have tended to favour small qualitative surveys as being a valuable method of research. However, we do not wish to be prescriptive. The survey or research method used will depend upon the objectives set by the entrepreneur and by the nature of the business proposition. A self-employed tradesman that wishes to start his own small business and borrow £1000 will not require a sophisticated research study. However, even for a small business proposition some time spent on a little research will pay dividends by improving forecasts and make the business plan an accurate and workable document.

## *Learning outcomes*

At the end of this session entrepreneurs/students should be able to:

1. Appreciate the range of secondary sources available to entrepreneurs and small business owners and the SME sector.
2. Carry out a research study involving the use of structured questionnaires.
3. Discuss the potential of on-line databases for information gathering.
4. Evaluate the role of information in reducing uncertainty.
5. Evaluate the potential of primary and secondary sources of information for entrepreneurs.
6. Realize the importance of different sources of information for carrying out a feasibility study.
7. Appreciate the importance of carrying out both quantitative and qualitative research for both a feasibility study and a business plan.
8. Realize the importance of qualitative research for the business plan.
9. Understand the important statistical measures in quantitative analysis.
10. Appreciate the range of secondary sources of information.
11. Understand the concept of on-line databases.
12. Be willing to record and undertake interviews as part of the research for a feasibility study or business plan.
13. Be willing to revise cashflow forecasts in the light of research undertaken.

## *Suggested assignment: feasibility study*

Students are separated into groups to research and produce a feasibility study for an existing firm/entrepreneur. The feasibility study may involve a new market opportunity or a change of strategy perhaps involving diversification from existing markets. The firm will be local and identified as a potential client by the university/college. Students work as consultants to the client entrepreneur and are required to:

1. Negotiate and agree terms of reference with the entrepreneur.
2. Use appropriate research methods including market research with a questionnaire.
3. Identify and analyse existing and potential competition.
4. Identify the additional costs/resources that will be required to exploit the opportunity.

5. Examine the local labour market as appropriate if additional staff are required.
6. Produce a feasibility study as a written report with sections that include: introduction/terms of reference, research methods, findings, conclusions and recommendations.
7. Make an interim presentation of the findings to the entrepreneur and obtain feedback.

**Note: This assignment should be coupled with a follow-up business plan as suggested at the end of the final chapter.**

## REFERENCES

1. COHEN, W.M. AND LEVINTHAL, D.A. (1989) 'Innovation and Learning: the two faces of R & D', *Economic Journal*, vol. 99, pp. 569–96.
2. Ballard, R. and Kalra, V.S. (1994) *Ethnic Dimensions of the 1991 Census*, University of Manchester.

## RECOMMENDED READING

- MASON, R., LIND, D. AND MARCHAL, W. (1998) *Statistical Techniques in Business and Economics*, 10th edn, McGraw-Hill.
- PREECE, M. (1990) *Qualitative Research Methods*, Sage, London.