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Too Busy To Be Strategic: Three Case Studies of Failing ICT Firms In West Midlands (UK)

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Abstract

Strategic planning is a mature, well researched area of study. Although much of the literature has focused on identifying a relationship between strategic planning and business competitiveness, none has yet shown a relationship between lack of planning and failure of firms. As a result many firms are either unaware of or fail to understand the importance of having a strategic plan for their business. When examining ICT firms many might argue that ICT SMEs do not plan as a response to a turbulent and unpredictable business environment. However, this paper insists that strategic planning is even more important under these conditions because it helps to predict opportunities, foresee trends and identify possible solutions to business problems. Three case studies from failed ICT SMEs are presented to highlight the strong relationship between lack of strategic planning and business failure. The analysis demonstrates that most challenges faced by these companies are related to a lack of strategic planning

Keywords:
Strategy, strategic planning, SMEs, failed business, challenges

1. Introduction

"Failure to plan is planning to fail" is a favourite phrase extolled by many business planners and attributed to many authors. However, in one form or another it has been around for centuries and predates all claims to its' many forms. In a recent LinkedIn survey (Reynolds 2010) SME owners agreed that strategic planning played a key factor in their success. Conversely other research has demonstrated that typically SMEs do not develop a strategic plan for their business (Robinson and Pearce, 1984, Sexton and Auken, 1985, Berman et al., 1997, Orser et al., 2000, Sandberg et al., 2001, Beaver, 2003). Most research to date in this area has concerned large organisations Dans, et. al. 2001; Duhan, et al, 2000; Levy and Powell 2000). However, in SMEs the problems are exacerbated by the fact that strategic planning is underdeveloped (Duhan et. al., 2001) and most investment is usually focused on operational development rather than achieving strategic objectives. Costello and Reece (2005) demonstrated that to be the case in research conducted with ICT focused SMEs in the West Midlands (WM).

The challenge of making strategies when the future is unknown may have encouraged SMEs to 'fail to plan'. As a result, most ICT SMEs, who are busy chasing customers and managing short term problems, find immediate solutions by switching from one crisis to the next (Costello and Reece 2005). Consequently, SMEs are faced with high failure rates and poor performance levels (Jocumsen, 2004 p.659).

Strategic planning can be considered to be a process of setting long-term business goals. It involves development and implementation of chosen objectives to achieve these goals (O'Regan and Ghobadian, 2004, Thompson and Martin, 2005). Evidence shows that SMEs who develop a strategic plan for their business are likely to be those which are innovative, with newly patented products, employ new process and management technologies and are considering to expand their market internationally (Carland and Carland, 2003; Gibson and Casser, 2005; Levy and Powell, 2005). These are also the companies that are less likely to fail (Gaskill et al., 1993, Perry, 2001). Recent research conducted by O'Regan and Ghobadian (2007) on UK SMEs in the manufacturing sector shows that 6 out of 10 firms had developed a strategic plan. This is significantly higher than reported by McKiernan et al.,(1994), and inline with

Shrader et al. (2004) and Rigby (2001). Despite this increase, O’Regan and Ghobadian (2007) reported that 15% of the developed strategic plans covered less than 3 years, 13% failed to specify goals or objectives, 35% of the plans failed to identify and allocate the resources necessary to support the selected strategies, while similar numbers of companies failed to develop plans for major functions, this increased the chances of inconsistencies between the business and the functional areas. In contrast, evidence on the impact of environmental turbulence upon strategic planning is limited. Cross-sectional studies have produced inconsistent findings, while longitudinal evidence is fragmented (Grant, 2003). In general, the evidence points less to a decline of strategic planning, than the fundamental changes in the ways in which companies undertake their strategic planning (Mintzberg, 1994).

Investigating changes in company’s strategic planning practices may require richer data than that used in most prior studies. This is mainly because it has been considered to be a complex and multi-dimensional construct with multiple indicators (Boyd, 1991). However, this research believes that investigating changes in strategic planning practices within SMEs is crucial in order to help them to remain competitive especially during unstable economic times. In fact this situation will continue if awareness is not raised using empirical studies which illustrate what happens if small business’ competitive advantage continues to depend on satisfying short term objectives; and on not involving long term strategic planning in their business. In order to start to address this situation, this study uses 3 case studies from a specific subset of ICT-oriented companies to demonstrate the implications of a lack of strategic planning.

2. ICT SMEs and strategic planning

The importance of Small and Medium Enterprises (SMEs) in relation to the adoption of Information Communication Technology (ICT) is recognised globally, not only because SMEs employ more people than the corporate sector and produce 33% of economic activity, but also because of their perceived creative, innovative and adaptive capabilities (Burke and Jarratt, 2004). An innovation survey report published by UK’s DTI (and Ortmans, 2005) shows that for the period between 2002-2004, 25% of the SMEs (with 10 and more employees) were product innovators, 16% of which were process innovators, while 57% were active in developing or implementing innovation. The report claims that this is almost a 14% increase in SMEs' involvement in innovation since 2001. Between 2002 and 2004, almost 30% of such enterprises introduced new products to the market, while almost 60% introduced new processes to industries in the West Midlands (DTI, 2006). The majority of the research on innovation emphasises technological change and its importance in products and production processes (Salter and Tether, 2006).

IS theorists believe that ICT strategy should support business strategy (Earl, 1989; Galliers and Land, 1987) and Cragg et. al., (2002) identified a stronger than expected link between the planning process and business strategy in small businesses. Other research (Lyles et.al., 1993; Jennings and Beaver, 1997; Anderson, 2000) has shown that there is a clear link between businesses performance and the strategic planning process. Owner-managers of SMEs may have different measurements of success and different criteria in their decisions to those of larger organisations (Reece and Thompson, 2005). However SMEs generally lack strategic planning as a management tool (Anderson, 2000). Jennings and Beaver (1997) tell us that:

> *"the actual root cause of failure (of SMEs) may be seen to lie with the apparently non-rational behaviour and decision-making of the entrepreneur and/or owner-manager who does not obey the 'rules' of classical management theory"*
>
> *(Jennings and Beaver, 1997)*

Many argue that ICT SMEs do not plan as a response to the turbulent and unpredictable business environment. However, this paper has considered the strategic planning development processes to be as important as those related to the process of planning to go for an important journey: no matter how rough the roads will be, how expensive the fuel will be or weather conditions, if one has to travel, it is important to have a long term plan that will help to forecast and identify possible solutions to overcome the obstacles, and make appropriate preparations necessary to satisfy the needs for the length of that particular journey. In fact, planning is even more necessary when the conditions are harsh.

Bonnet and Yip (2009) report that there is great confusion today as to how strategy formulation really happens in industries experiencing high business and technological change. They added that most ICT industries have disruptive factors which make it harder to rely on static strategic planning. This includes technological innovation, which creates opportunities and threats to participants, and ever-increasing convergence, which changes both the nature of competition and the underlying economics of each of these industries – as well as regulatory changes. Although there was no data provided to support their claim, Bonnet et al. (2009) state that, in fast-changing industries like ICT, having the right strategy is critical to success. The problem is that providing effective support to such SMEs has traditionally not been particularly successful (Rae, 2006).

ICT is considered as a strategic resource in many firms. In the West Midlands (WM) alone, there are approximately 200,300 companies covering different sectors of business as shown in Table 1. These include approximately 8000 ICT SMEs which support other sectors (Costello et al., 2009). Since ICT is used by the majority of companies in all sectors, this may mean that SMEs who provide ICT services and products have an opportunity to be successful in their business because of the large potential market.

Sector	Number of Companies	Number of Employees
Agriculture and fishing	600	4,500
Energy and water	300	11,200
Manufacturing	18,700	350,700
Construction	19,500	118,800
Distribution, hotels and restaurant	59,300	564,600
Transport and communications	9,700	132,800
Banking, finance and insurance	59,200	424,100
Public admin and education	18,100	632,300
Other services	14,900	121,900
Total	200300	2,360,900

Table 1: Numbers of West Midlands companies (AWM, 2009)

This has not been the case, however, as most companies are adopting outsourcing as their competitive approach; they spread most of their ICT work among at least two to six companies (Worthen, 2008). This means that the companies are avoiding local

ICT SMEs, not only because the companies want to cut the cost of developing and maintaining their ICT, but because there is an ICT skills shortage in the UK (eSkills 2004). Additionally, recent research has shown that most ICT SMEs do not themselves have the necessary ICT skills to run ICT oriented businesses (Chibelushi and Costello, 2009; Costello et al., 2008; Chibelushi, 2008). This indicates that they are not up dating their skill base and is a matter of concern as issues such as up-skilling for company employees are a vital strategic factor within a strategic business plan. This poses the important question; do these companies have a strategic business plan at all?

Previous studies (Grant, 2003) have provided evidence showing that strategic business planning continues to play an important role in most businesses' competitive advantage. Although strategic business planning practices are said to have changed substantially over the past two decades, the case studies provided in this research demonstrate that some ICT SMEs do not even consider having a plan, and some are still not aware of its importance.

3. Research Methodology

This research followed a case study approach as case studies are the most common qualitative method used in IS research (Cassell and Symon, 2004) because the case study approach can help answer the 'who', 'why' and 'how' questions. Mintzberg (1979) extols the use of 'detective work' initially to enable us to search for recurring patterns and themes followed by the 'creative leap' as the theory is abstracted from the data collected and generalisations are attempted which reach beyond that.

This section presents the data from three failed ICT SMEs (referred herein as Company A, B, and C) from the WM in UK, and includes the issues that contributed to their failure. The companies are typical of ICT SMEs in the WM with 76% having less than 11 employees and 14% being larger than 25 (Rowe, 2007). The three case studies are used in order to empirically investigate what issues are involved when a business fails and to highlight the lessons learnt and knowledge gained. In this study the cases came to light in an opportunistic fashion whilst surveying owner-managers from ICT companies at ICT events in the West Midlands region. This led to more in depth interviews with the companies highlighted here in an exploratory manner. The original survey which the companies had been asked to participate in had sought to identify problems which hinder ICT SMEs from adopting new technologies (Chibelushi and Costello, 2009; Costello et al., 2008; Chibelushi, 2008). The findings of that research revealed that in most ICT SMEs there is a relationship between the decision to adopt technology and the owner-manager's level of education. In these cases it was revealed that companies A, B, and C had had neither the capacity nor readiness to implement new technologies (Costello et. al. 2008). As these companies are technology oriented, it was 'assumed' by those supporting them as unusual to have problems related to technology readiness and capacity. For this reason, information was collected to understand the details of ICT SME problems. Interviews were conducted to discern what the root cause was of the companies failure.

Semi-structured interviews were conducted at each of the three companies; the interviews included issues related to whether the company had a clear working structure, enough resources (both human and capital resources), an employee to track company finance, investment in new technology, education and re-training, trust communication and long-term planning.

Due to the open format of the interview, the detail of information provided by the each of the three company representatives differs significantly although the questions asked were the same. Each interview took approximately two hours and was recorded and analysed in relation to the themes identified in the literature above.

4. The Case Studies

4.1 Company A

This company were running two totally different product lines at the time of interview. The primary business involved the development of an electronic golf product which had been ongoing for 6 years. The secondary aspect of the business included the provision of web design and development services, which had been operating for 2 years. The company has two employees with the owner-manager holding a degree in Electronics Engineering. The day-to-day company responsibilities were divided into two parts: the owner-manager being responsible for all the technical aspects of product development and implementation, whilst the second employee was responsible for the management of the company's finances.

The owner-manager has since closed the businesses, and is currently employed in a multinational company that produces electrical and electronics systems.

The golf related business

The owner-manager stated that he had conducted some background research before starting the business. Which he felt was adequate to allowed him to roughly estimate the number of customers who would buy the product each year. Time and money was invested in conducting technical research and development of a prototype, investing heavily in moulding tools, moulding components and printed circuit boards (PCBs). He had made several assumptions regarding the retail price of the product. This, subsequently proved to be unrealistic, particularly from the customer's perspective, as the main focus of the pricing strategy was to recover the high cost of developing the product. Having realised that his potential customers were unwilling to buy products at that level, he then investigated to see if similar products were being sold in elsewhere and discovered that the same product was being sold in the USA at a much lower price.

Another issue for this owner-manager was the cost of advertising, which had not been included in any planning. The owner-manager had assumed that the best place to advertise golf equipment was in a golfing magazine; however such magazines charge a great deal of money for advertisements. In addition golfers tend to subscribe to brand names, e.g. they trust established brands such as Nike, IZZO etc. When they see a new product in the market, it takes a significant amount of time for reputation to build, which means that any new product requires strong marketing in order for it to succeed. The owner-manager thus opted to develop a website to market his product and in addition to use 'word of mouth', as his advertising strategy.

Local SMEs came to know about the golf product website, they were attracted by the website itself and not the product which it was designed to advertise. He was approached to develop similar websites for their businesses. By this time, the owner-manager had invested a considerable amount of money in the golf business, but the business was struggling financially. Since web development appeared to be another source of revenue and there was an existing and potential customer base, the owner-manager ventured into the web design and development business. He did, however, sell a few of the golf products at the intended price eventually, although the rest were sold at a heavily reduced price or even at a loss.

The web design and development business

This attracted many customers initially; however, they were mostly local, from a sub-region of WM. The owner-manager believed that in order to grow his business he would need to adopt the latest technologies for E-Commerce. He opted to attend a speed networking event organised by the local Chamber of Commerce, expecting to market his web design business. However, he realised that most of the 50 delegates were competitors and there was little opportunity to do so. A year later, he attended a second Chamber of Commerce meeting, where he discovered there were over 1,000 registered SMEs in the same sub-sector. The owner-manager decided that in order for him to stay competitive, he had to quickly adopt eCommerce and other new technologies in order to attract customers. He approached the local Regional Development Agency (RDA) to seek support and was provided with a free web design course. He felt that the main benefit from the course was the realisation that Open Source (OS) technologies might be a cheaper alternative. However, he did not have enough time to learn the best way to exploit the OS software. This is mainly as he needed to continue working to support the two flailing business' and himself. He therefore decided to use Microsoft packages instead, which he perceived to be straightforward and easier to learn compared to the OS package. The owner-manager also stated that Microsoft offered him commercial support, which he thought was not the case for OS software. There were several technical user forums which he could visit to seek advice on queries regarding OS. However, it can take several days for someone to respond to a query as it is mostly on a voluntary basis. He also felt that OS is updated very fast and hence he was unable to cope with such speed of change. In order to keep up to date he attended a one-day training session about marketing, which was offered by the locally based Business Innovation Centre (BIC).

The money obtained from the web design business was used to fund the failing golf business but as that was poorly marketed, the product was expensive and there were very few sales. Meanwhile, as the competition in web design intensified and the owner-manager was unable to update his skills and resources accordingly, the company subsequently declined too.

Company A not only lacked a wide range of business management skills, but the owner-manager also had no awareness or understanding of the importance of planning. If he had prepared and monitored a thorough strategy it may have demonstrated significantly improved business performance (UCS 2009).

Main Issues for Company A

The main concern for Company A was the lack of appropriate planning from the early stages. For example, a business feasibility study was not conducted and as a result, there was not enough information to support the detailed business planning that aimed to reduce the research time. Instead, research related to competitors' product similarities and price was conducted *after* development of the product. In other words, Company A's business plan was flawed due to the underestimation of the time and financial commitment required by a business that is based on research and innovation. Businesses of this nature typically involve a long harvesting period; this is amply demonstrated by James Dyson, who took almost 20 years, 5127 different prototypes and significant financial investment to introduce his patented dual cyclone vacuum cleaner to the market (Thompson and Martin, 2005). Company A's product was clearly under-researched as reflected in the owner-manager's inability to foresee the risks involved even after realising that similar products existed at a lower cost.

Issues which were related to cutting the production cost should have been the first priority if appropriate research had been conducted prior to the development of the product. More detrimentally, there was no planned marketing strategy for the product. The owner-manager of the company came to realise the cost of advertising and the best place to advertize his golf instrument only after he had completed the very expensive process of developing the product. Had he developed a plan earlier, he would have cut the cost of production or developed a different strategy to market his product from the beginning.

The owner-manager had no plans on how he would distribute or sell the product and he employed his spouse who had no business knowledge. She was not able to manage the product sales, or even to manage finances. In the end, the company depended on the on-site sales method which was clearly inappropriate.

The decision to divert business efforts and focus to launch a second business confirms the serious lack of planning. Starting a web development business without enough research, resources and marketing strategy seems to repeat the same mistakes made in the golf business. He was unable to realize that conducting a business such as web development would involve re-skilling, adoption and investment of new technologies. Lack of long term strategy meant that Company A was constantly developing plans with short term strategies to solve the immediate financial crisis and not for long term investment; and overlooked plans which would also involve long strategies such as re-skilling or investment in new technologies.

The owner-manager of Company A did not know why companies attended the speed networking events which were organized by the Chambers of commerce. He attended the free course provided by the RDA but this did not support his business either. He also attended a one-day training session in marketing which was offered by the BIC. All these activities were done without appropriate planning or insight about how they could be applied within the business and as a result none of the activities were productive.

4.2. Company B

Company B was a manufacturer of specialised video equipment for underwater surveillance. The owner-manager had a degree in Electronics Engineering and 5 years' experience in an electronic firm. The company had been operating for 10 years. The technical director holds a HNC (Higher National Certificate) in Electronics Engineering and has vast experience from his previous work in the army. The company employed 25 people, the majority of whom were highly skilled technical experts.

The owner-manager has now closed the company and is currently unemployed. The technical director has started his own business and is currently providing the same products and services as the failed company but on a smaller scale. The technical director described the management of the failed business as follows.

The owner-manager of the company focused primarily on the technology aspect of the business, and hence employed personnel who were more technical in terms of their skill set. Consequently, the company did not have any personnel from a financial management and/or investment background. The company had no shortage of orders; however, they had no plans on where to source the capital required to satisfy its human resource expenditure, raw material costs and billing expenses. Furthermore, the company had no assets to present to the banks, and hence were unable to secure a loan from the banks. The technical director called for a meeting in which the MD and other managers discussed their concerns regarding the financial complications that were hindering the company's productivity. The MD did not perceive it to be a major problem as he believed that having customers and technical experts constituted the main aspects of the business. Some technical experts left the company as they realised that the firm was experiencing a financial crisis. In addition, the MD's attitude of not trusting his colleagues further contributed to the problem. Having a business strategy which is simply wrapped around "what the customer wants", although laudable, is unsustainable, as many customers' specifications require guidance as to what is achievable. There were not enough funds for sufficient computers, resulting in employees having to share a limited number of machines; hence there were delays in producing software code. This was further complicated at that time by processor capabilities relative to cost of computer equipment.

Due to the nature of its' business, the company's' main customer base was overseas. The developed code was sent and tested across the Internet as the company did not have plans for its technical staff to travel to the client site to test the equipment, nor could they afford to do so.

There was no commercial Off-The-Shelf (COTS) software available to purchase to embed as modules for its main code, the company, therefore, had to develop all required code from scratch. Such development was resource-intensive both in terms of time and in particular money, due to the high costs of hiring programming experts. The only IT investment the company made was in accounting software to improve its efficiency and production. The technical director who was interviewed accepted that this was a major problem which was not realised at an early stage.

Lack of capital and assets to improve the financial position of the company consequently resulted in employees and then subsequently customers leaving the company. With this continued downward spiral the business inevitably failed.

There are several issues here which indicate a lack of strategy, strategic planning focuses the management not only on what they want from the business, but also how to work out a series of action plans in order to identify how aims will be delivered, with timescales, and resource requirements.

Main Issues for Company B

Company B had enough customers and no competition; however its main problem was the fact that it had no long term planning but constantly focused on satisfying its customers whatever the cost. O'Regan and Ghobadian (2007) state that a formal strategic planning process is a deliberate means to include factors and techniques in a systematic way to achieve specific tasks. Employing only technical personnel and ignoring the importance of other functions, such as financial management, sales etc., not having any capital or any source of funding to settle the company's internal costs, and employing 25 people with limited resources indicates that Company B had a lack of strategy for growth.

The owner-manager lacked important principles of people management (Boxall and Purcell, 2003) which partially contributed to company failure. A business plan should consider the importance of having adequate resources (e.g. equipment), and exploiting different knowledge and skill sets (e.g. managerial, technical, finance, marketing and sales) for the company's competitive advantage. Investing in equipment and new technology would have proved to be useful in enhancing the efficiency and productivity in Company B but in turn, these purchases would have required funding and possibly training before their full benefits could be realised. Taking into account Company B's financial state at that point in time, it would have being very difficult to acquire such new equipment and technology.

As in the case of Company A, Company B did not consider the use of alliances or collaborations as an option or a potential avenue to prevent its demise.

4.3 Company C

Company C provided computer services for business systems, engineering and production management. In particular it specialised in the development of results-oriented computer systems for manufacturing and office automation. Company C was a sole trader whose strength was in software development. The owner-manager stated that the turnover was zero the year before he was interviewed, thus he decided to sell the company. He provided the following information relevant to this study.

His level of education did not extend beyond secondary school. As a sole trader, the owner-manager of Company C managed all the activities of his company, including marketing, sales, purchasing accounts, service provision, and developing software products for his customers. He stated that the company had performed well in previous years, and he did not believe that he needed to invest in IT as he uses IT facilities on his customer's sites. Hence, whatever he bought was for re-selling and not for the company's use, thus the owner-manager perceived that his company had saved a lot of money for many years on this aspect.

The owner-manager also claimed to be a computer expert, thus he did not feel he needed any advice regarding ICT purchases. When asked if he regularly upgraded his IT skills, particularly in relation to the adoption of new technology, he replied that he would do that if there was a need to do so, i.e. if his customer had a specific type of technology they required, he would then update his skill set as appropriate to the customer. His initial strategy was to have as many customers as possible and to quickly address their needs before moving onto the next customer. After a period of time he realised that his business was slowly losing its customers, but did not understand the main cause of his client loss. He believed that the reason was the fact that he was a sole trader and hence might be less trusted. He extolled the need for the government to support sole traders because many business owner-managers prefer their business to remain small in size but would like to be a trusted supplier in the market.

When questioned about his marketing strategies, and his business plan, he replied that he did not need to market his service/products as he was well-known, hence word of mouth and his website alone served as his main marketing strategy. In terms of a business plan, he explained that he did not need to plan as he was a sole trader, and had more than enough customers. When the turnover for the company was reduced to zero, he decided to sell the company and at the time of interview he was actively seeking other employment.

Main Issues Company C

This company was busy chasing customers and focusing on short-term gains. Being a sole trader for 8 years, the owner-manager did not consider the need to develop a business plan which would include investment in technology, updating skills and knowledge, or the consideration of using alliances or employing more people with knowledge and skills in the latest technology, creating product differentiation in his business, or even establishing marketing strategies. Even after the failure of his company, the owner-manager of Company C in interview did not realise the relationship between planning and success, or that failure to plan may have led to the company downfall. He had no understanding of the reasons which had led to the company failure and which accumulated into a textbook example. The fact that the owner-manager waited until turnover was zero before attempting remedial actions reflects the lack of an essential business plan and management skills.

4.4 Summary

Companies A, B and C had similarities in their approach to the running of their business: the owner-manager did not plan or prepare their businesses to react to the growth of new technology, competitive uncertainty, or even to look for ways to design a business plan and implement successful strategies. The main inferences drawn from the three case studies point to a number of issues; which taken together combine to impact the eventual failure of the business. It would be appropriate to assume that had these issues been at the centre of the business development for each company the results may have been very different. The lack of planning leads to many of the other issues encountered by the companies and presented in table 2 which demonstrates an analysis of issues extracted from the case studies.

	Company A	Company B	Company C
Lack of market intelligence	X	X	
Expensive product development not driven by market forces	X	X	
Lack of collaborations / alliances	X	X	
Inadequate investment	X	X	X
Inadequate skills levels	X	X	X
No long term plan for any aspect of their business.	X	X	X

Table 2 Analysis of Issues in failed SMEs

These demonstrate that there are common themes for these three companies. This led the authors to believe that there maybe a ‘knock-on’ effect produced over time. Each problem would have an impact on the other. For example the lack of skills either technical for product development or business acumen for managing finance and investment would lead to expensive product development, coupled with product development not being driven by market forces due to the lack of market intelligence which was exacerbated by the lack of business acumen in relation to the market. The overriding factor appears to be the lack of planning and therefore the authors have taken a leap of faith in suggesting that the underpinning issue is lack of planning. However, this in itself would not impact if a plan had been drawn up by an owner with inappropriate skills levels or business acumen. Figure 1 attempts to demonstrate this effect which seems to lead to a downward spiral of failure, but could just have easily had lack of planning as one of the elements in the outer circle but makes the assumption that a plan would be at the centre.

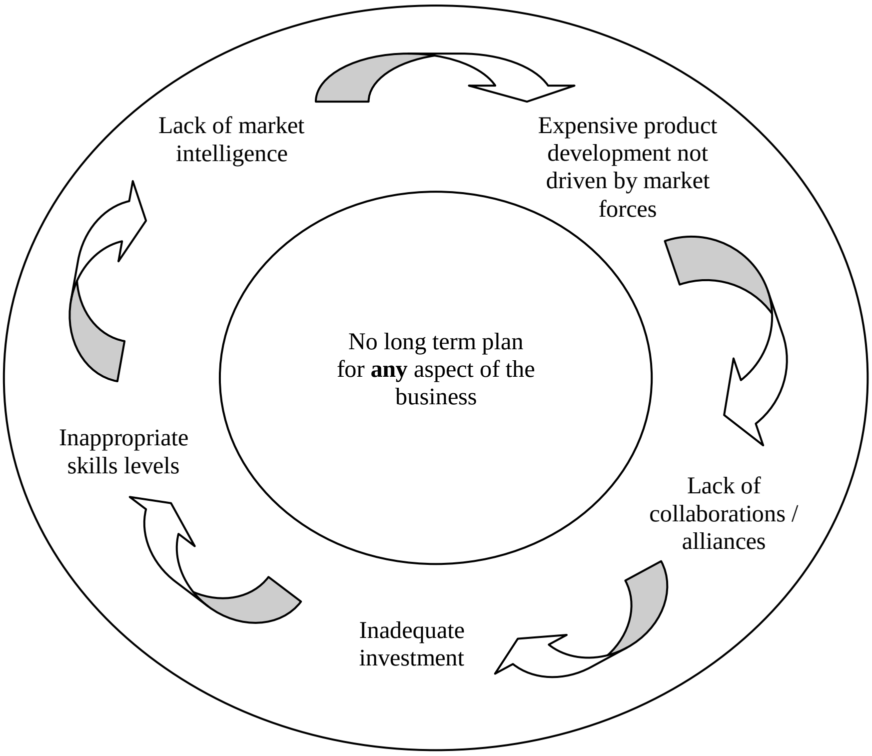

Figure 1 Conceptualisation of the Spiral effect of issues involved in failure ICT SMEs

Strategic planning processes have become more decentralised, less staff driven and informal even in large companies. As a consequence, strategic plans have become short-term, goal focused and less specific with regard to actions and resource allocations (Singh et al., 2008; Grant 2003). The three case studies support the findings of Jennings and Beaver (1997) as owner-managers ignored management theory and management roles in the development of strategic planning. This led to haphazard decision making and lack of a mechanism for coordinating and managing performance. As a consequence, companies were busy chasing customers and only provided them with short term satisfaction while underestimating the importance of any type of planning which is a key factor in retaining them. Johnson et. al. (2007) tells us that there is a suggestion from the previous research that strategies develop in an incremental fashion, building on the existing strategy and changing and adapting gradually. This study has shown that, companies A, B, and C had no strategy for planning in place and therefore as the years went by, there was nothing to build on, which can lead ultimately to business failure.

Vos (2005) has observed that managers of SMEs have poor skills in reflecting upon their companies strategically. However, since SMEs often are oriented towards serving local niches or developing relatively narrow specializations (Urbonavicius, 2005), they need a very detailed strategic plan for their business.

Perry (2001) found a significant statistical relationship between planning and firm failure. The explanation he provided for this relationship was that SMEs with less than 5 employees do not consider formal planning especially if they are not required to develop a "business plan" in order to borrow money or to establish commercial credit with vendors or lenders. Also, for these very small businesses, the limited scope, scale, and complexity of the business are conducive to simple and intuitive planning approaches; and the communication of plans may not require written documents since so few people are involved. However, Company B demonstrates that this can be the case in slightly larger companies too. This company had 25 employees and still had no plan. This study perceives that the fewer the number of employees the more responsibility they will have and if there is no plan, it may be easy to overlook important issues. For example, Company A failed to realize the importance of a detailed feasibility study in both the golf equipment and web design business. Company B did not employ an individual who would have handled its company's financial matters. Company C did neither invest in technology nor enhance its human capital.

Beaver (2003) states that 'irrespective of the role of entrepreneurship as a determinant of business performance and durability, the attribution of success to small firms is, complex, dynamic and problematic. Indeed, singular notions of small business success are not only inappropriate they are naïve and unhelpful. This small example seems to validate research:

> *"there is nothing automatic or inevitable about the formation and development of a successful small firm. It has to be planned, managed and nurtured from the top against a seemingly endless array of internal and external constraints"*
>
> *(Beaver and Jennings, 1995)'.*

Ucbasaran et al. (2009) perceives a high business failure rate to be attributed to entrepreneurs' optimism bias. Optimism in this context includes a tendency of business owners to think that they are unlikely to experience failure in their business or being overconfident. Optimism bias or anti-failure bias as stated by Mitchell et al. (2008) prevents early redirection of efforts and learning, while pre-failure bias is likely to compromise or disable the new transaction commitment mindset through invoking an unrealistic picture of opportunity creation. This paper agrees with these claims as the three case studies illustrate the attitudes of the company owner-managers to be optimistic or overconfident. Company C was especially overconfident to the extent that, even after losing customers, the owner-manager was still confident that the company was not going to fail until he discovered his turnover was zero it at this point he realised that his business was failing. This small study argues that the entrepreneur's optimism bias may be a problem which is related to unawareness or underestimating the importance of strategic planning.

6. Conclusion

Previous research shows the major challenges for SMEs to be the upgrading of technology (Kleindl, 2000), human resources development (Hudson et al., 2001), new product development (Sonia et al., 2005) and managing the supply chain through collaboration and partnerships with customers, suppliers, distributors, competitors and other organisations such as consulting firms and research centres (Soh and Roberts, 2005; Bennett and O'Kane, 2006). This research views these identified challenges as the main elements which could have been used by the three ICT SMEs in the cases studies to develop their strategy.

Vermeulen (2009) tells us that attempting to understand the causes of business failure which are related to strategic planning is similar to 'comparing the 2008 banking crisis with the Enron debacle'. Many explanations can be suggested for the crisis, but there is one underlying issue and that is the structural failure of management'.

This research has presented three qualitative case studies that emphasize previous research that there is a strong relationship between failure and lack of strategy. There has also been little research demonstrating the impact of disruptive factors such as technology innovation and ever-increasing convergence of traditionally distinct industries, which may change both the nature of competition and the underlying economics of each of the industries.

Since there is a large amount of literature which shows that there is a relationship between failure and lack of strategic plan, the first solution towards preventing the failure of SMEs is to conduct research whose aim is to understand why SMEs are not developing a strategic plan for their business. The results of this research will have profound implications for policy makers and small business advisers.

Although this study is limited in numbers the key findings support, once more, current literature in the area and add to the call for more research which give solutions to the issues, until this is done companies will continue to fail, The downward spiral effect conceptualised in this paper are just some of the issues which need to be addressed along with more support for SMEs in their initial start up phase. In particular it is recommended that research now ascertains an upward spiral of success factors and then identifies the gap between failure and success. This may at least help SMEs to thrive.

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