

EXAMINING THE ROLE OF FEEDBACK TOWARDS ATTAINING EXCELLENCE IN SMALL BUSINESSES

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ABSTRACT

Many business ventures today focus on how to attain excellence, where companies and individuals seek the appropriate ways to improve their businesses. This practice does not exclude small businesses since everyone envisages positive progress. There is a tendency of small business practitioners to ignore feedback management which limits their progress. This study examines the role of feedback in assisting small businesses to attain excellence. The study uses the concepts from two theoretical frameworks: Schramm's Model of Communication which introduces feedback in communication process for interactive settings and the Business Excellence Model by Mann that seeks to achieve goals in every part in the business. From those theories, the researcher developed a conceptual framework that explains how feedback works to attain excellence in small businesses. Data were collected through interview, questionnaire and observation. Data obtained show that small business ventures use customers as their main source of feedback. The informal or monitoring inquiry approach is used mostly by small business practitioners to collect feedback, but there is no scientific way of managing feedback. Failure to collect and interpret feedback by small businesses limits the business growth, while proper utilization of feedback helps growth of the business. Feedback plays big role in attaining business excellence through enabling small business to improve, introduce new product or services and maintain the delivering approaches. The study therefore recommends that, small businesses have to employ both direct and indirect inquiries to collect feedback, and then manage them scientifically for effective use in attaining business excellence.

Key words: feedback, business excellence, customers' feedback and small business.

1.0 INTRODUCTION

1.1 Background

The world is interconnected through various means of communications which help people to exchange information. The exchange of information is a vital component to connect and develop man in various aspects of life. This exchange is possible where both sender and receiver play their roles effectively. Sending information is completed when there is feedback whether verbal or non-verbal and whether negative or positive.

Feedback plays a significant role in communication because it is a returning message. Feedback enables the sender to be informed about the status and the interpretation of what has been sent. In business context, feedback enables the producer to understand the status of the products or services through customers' judgements, customers' evaluation obtained through the word of mouth and customer retaining tendency. Any business conducted without seeking and interpreting feedback narrows its profits. Ignoring feedback is like deciding to have short life span as many small businesses die early. The Gartner report (2016) in Nash (ND) shows only 5% of well established companies work on customer feedback. This implies that many of such companies lose profits and improvement opportunity by ignored feedback which interpret the satisfaction of customers.

Most of small business ventures fail to focus on customer satisfaction that could support their improvement. A study conducted by Cox (2002) shows that small businesses are faced by a problem of selling and advertising their products due to seeking for immediate needs to survive while failing to plan how to reach the market. Such a tendency limits the opportunities such as selling their products outside of their living area or business places. Small businesses, like other businesses need appropriate information that expresses the market needs from various sources such as customers, whole sellers, government, and research firms.

1.2 Definition of Terms

Small business

This study uses the Tanzanian definition of small business or enterprises which focus on the number of employees and the capital invested in the business. Small enterprises are the businesses which employ five to forty nine people and the capital invested is between five to two hundred million (URT, 2003).

Feedback is conceptualized as information provided by an agent regarding aspects of one's performance or understanding (Hattie & Timperly, 2007). The information about someone or a particular business may be provided for a specific intention. Feedback always minimizes the gap between two sources of information acting interchangeably (sender and receiver). Sender and receiver are connected when there is flow of information from one source to another.

Customer feedback is the information that comes directly from customers about satisfaction or dissatisfaction they experience regarding a certain product or services (Wonderflow, 2016)

Business excellence is the practice of developing and strengthening the management systems and processes of an organization to improve performance and create value for stockholders (Mann. et al, ND).

1.3 Statement of the Problem

Feedback is a key aspect in realization of mutuality between two sides of communication. As businesses are conducted between two people or more, communication is inevitable. Communication to be effective and active needs feedback, where feedback denotes how a message was interpreted. Feedback enables the identification of weaknesses and strengths in the business. Feedback in small business has not yet been emphasized, mostly ignored due to its negative interpretations and the tendency of looking for immediate solution (Bernad, 2002 and Cox, 2002), despite its importance. It helps in providing information which can be used in addressing the weaknesses and motivates the continuation of strengths identified (Bernad, 2002). Ignoring feedback limits small businesses attaining business excellence due to the uses of few information gathered. Basing on that problem, this study examined the role of feedback toward small business excellence hence suggesting to small business owners better ways of using feedback to improve their ventures.

1.4 Objective of the Study

The purpose of this study was to examine the role of feedback in the progress of small businesses. Specifically, the study wanted to identify the sources of feedback in small business communication, evaluate the methods of feedback collection and management of small business communication done by small business practitioners and examine the role of feedback in small business excellence.

1.5 Significance of the Study

The study has positive impacts to small business practitioners in the progress of their businesses. Also, it will give insight to all business practitioners to collect and manage feedback from various sources to expand their businesses. Furthermore, the study will motivate other researchers to conduct various studies on how effective utilization of feedback can be of importance in attainment of business or organizational goals.

2.0 Literature Review

According to Maliti and Mnenwa (2008) about eighty seven percent (87%) of Tanzanians are involved in small businesses. This reflects how majority of Tanzanians depend on small businesses to earn their daily bread. In spite of this fact, the practice has been accumulating a number of hinderances for its success. In the study conducted by Nkonoki (2010) on the factors limiting the success and or growth of small business in Tanzania, poor communication which affects all aspects of business information flow was mentioned to be among factors hindering business growth.

According to Nash (ND) customer feedback is the data from costumers about their perceptions and experiences of various goods delivered. Customer feedback acts as a correcting board from which the customers' interpretations on the goods or services are highlighted. Feedback can be collected directly or indirectly by small businessmen, companies, outsourced or market research firms. Feedback may be verbal or non-verbal depending on the technique used to collect feedback.

Feedback has various characteristics including being more specific rather than general. Feedback should pinpoint the strength and weaknesses of the service or goods sold to the customers (Wertheim, 2008). Also, feedback takes into account the needs of both receiver and giver of feedback. In business, this may help to get actual information about the product or service provided by small businessman and the customers' needs, hence help to modify their weaknesses to meet the needs and expectations of the customers (Wertheim, 2008). This helps the service provider to understand exactly the needs of the consumers. Knowing the need of consumers will foster quality and quantity provision of both goods and services delivered by small businesses.

Feedback involves sharing of information rather than giving advice. Through sharing information a person is able to decide on what to do basing on the obtained data. Sharing of information helps to identify new opportunities, improve and maintain the present services (Wertheim, 2008). Upon obtaining appropriate information small businesses have the ability to reach on the targets especially when such information is obtained in an inappropriate time.

Feedback reflects the reality and not the assumptions on the regarding motive or intent. The language and facial expression may indicate a certain feedback from the customer. This will help the businessman to understand how his service or goods are viewed and said to others (Wertheim, 2008). Feedback ensures clear communication through interpreting response given that enables the business being active. A situation of having an active business enables to identify weaknesses and give the appropriate solutions (Michaelsen, &Schultheiss, 1988). Therefore, when SMEs access and use feedback effectively minimize weaknesses and strengthen chances of business excellence. Nevertheless, the appropriate feedback collection methods should be employed as explained below:

According to Ashford and Cummings, (1983) in Bernard (2002) there are two main ways of obtaining feedback from customers, these are direct inquiry and monitoring. Direct inquiry obtains feedback through open asking for feedback from others. The feedback found under this type will match with the aim of questions and the need of the project. This can be done by using various means like group discussion, questionnaires and direct interview the costumer about your goods or service delivering project as suggested by the institute of leadership and management and QMD ltd (2006). Monitoring strategy obtains feedback indirectly by observation, eavesdrops (without hearing or have a conversation) and suggestions or claims. Feedback obtained through inference on customers' opinions on services or goods provided. Sometime it is known as informal feedback that is aimed at monitoring customer satisfaction (the institute of leadership and management and QMD Ltd, 2006). Examining customer's satisfaction helps SMEs to strengthen, maintain and innovate new products or approaches.

Feedback has various importance in business growth. The negative feedback if appropriately addressed improves goods, services or approaches used in a small business. When the feedback shows some challenges then handling them positively improves a particular business. Working the weaknesses mentioned by the customers fosters the business excellence. Therefore, small businessmen should use those negative feedback as their goal, listing down each weakness and set some strategies to make them positive (Hattie & Timperley, 2007).

Furthermore, Bernard, (2002) suggests that positive feedback maintains and improves business if used properly. Also, feedback links sender and receiver (businessman vs consumer or consumer vs businessman). Therefore, the proper access, interpretation and management of feedback has great role of identifying the positives of the business to be maintained and modified. Therefore, by Small businesses utilising the positive feedback given, enables the growth of the business in hand.

Small business ventures should adopt business excellence models to strengthen management of their businesses. Business excellence allows the management to organize and implement appropriate strategies that improve the organization in everything (EFQM, 2003). Small businesses are said to develop quickly when they apply business excellence models (Mann. at el, ND). Through Business Excellence Model (BEM) by Mann. at el, (ND) it is suggested that small business should manage various units working together for attaining the fundamental goal of the project. The processes and system used in production of goods or provision of a certain services can be easily noted and administered to attain the project's goals. Moreover, both workers and owners of the business should be equipped with appropriate information of units used in the production of goods or provision of services that will make it simple to attain their goals (Mann. at el, ND).

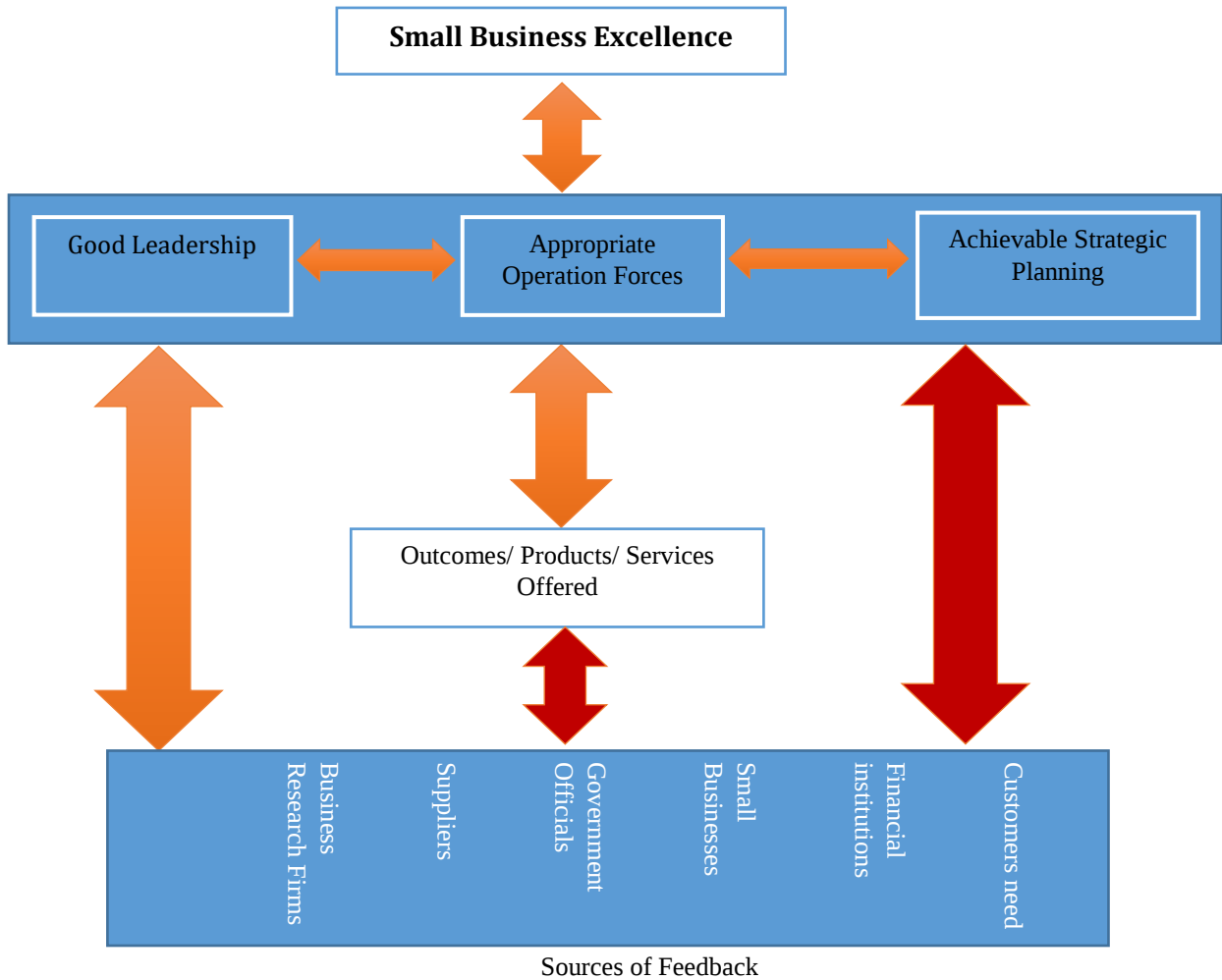
Business Excellence Model (BEM) helps to improve strategies by in cooperating tools, stakeholders, and initiatives. The best strategies always leads to a good end. The use of good strategies which incorporate every stakeholder will inform them with what ought to be done and the benefits (ibid). Also, business excellence acts the checker in the small business. Business excellence suggests the assessment tools and it consists of well-structured picture of where to go, the small business practitioners may review for checking the improvements of their business (ibid). Therefore, the use of Business Excellence Model (BEM) by small business practitioners will improve the entire business conducted.

2.1 Conceptual Framework

Conceptual framework is defined as a network; or "plan" of linked concepts that together provide a comprehensive understanding of a phenomenon. It has various concepts that work together to explain an interpretative approach to social reality (Jabareen, 2009). The conceptual framework used in this study combines concepts from two theories: Business Excellence Model (BEM) by Mann et al and Schramm's Model of Communication. The model explains core values and concepts of the management of a business. Business Excellence Model helps to know and evaluate the weaknesses and strengths of the organization that in turn helps the management to improve up-coming or existing projects. Another concept of feedback in communication as proposed by Croft (2004) that Schramm's model of communication introduces the exchange of position in the communication cycle. Small business progress needs effective communication where by feedback plays a big role to indicate the participation of both sides of communication (sender and receiver). The conceptual

framework developed by the researcher includes the necessity of feedback in every component to attain the business excellence in small businesses.

Conceptual Framework of Role of Feedback to Attain Excellence in Small Business



Source: Modified from Mann et al and Schramm’s Model of Communication

Dependent variable (small business excellence) depends upon the utilization of feedback obtained from various sources (business research firms, suppliers, government, small businessmen and customers). Services and goods provided by small businesses expected to meet the need of consumers through an appropriate management of feedback, a good leadership which adhere to feedback management, setting appropriate operation forces and setting achievable strategic plans.

3.0 METHODOLOGY

This study aimed at examining the role of feedback toward small business excellence. As the study focuses on feedback as an element in communication cycle, the exploratory research design was employed. The exploratory design was selected to present the actual situation, taking place in the small business context, how feedback can be used to help small businesses to attain business excellence and stipulate the best practices of utilizing feedback in business context. Qualitative data obtained through interview and observation in the field and quantitative data were collected through questionnaires. The respondents were selected purposively which allowed only small business practitioners. The study used a sample of 250 small business practitioners, where men were 124 and women were 126. The respondents selected were found in Kigamboni, Kinondoni, Ilala and Temeke with the ratio of 50: 75: 75 and 50. Data gathered from field work have great contribution toward the main objective of the study that looks to examine the role of feedback toward small business excellence.

4.0 FINDINGS AND DISCUSSION

The data obtained from 250 small business practitioners who were selected purposively to give appropriate information as needed in this study. The widely means of communication used are phones, while none of the practitioners use brochures as the figure 1 below indicates.

Figure 1, Channel of feedback in Small Business

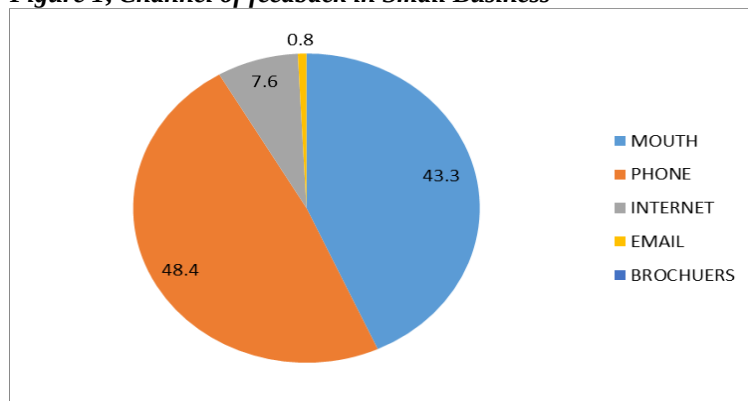


Figure 1 shows the means of feedback used mostly in small business are word of mouth 43.2%, phone 48.4%, internet 7.6%, and emails 0.8%, while no any small business practitioner used brochures in his/her business. The situation of using few channels of feedback and mostly the use of informal channel (word of mouth) limits small business practitioners to utilize the available opportunities for their growth. For example, the use of the internet allows many people to access information in a short period of time with lower cost and attracts customers in social media. However, the use of internet has positive effect on small business excellence, but most of small businesses are still reluctant to utilize internet, this limits their growth. This proves what was said by Demishkevich (2006) “*the use of internet marketing offers benefits, yet not all small businesses take advantage of it*”. The small businesses havenot taken advantage of new innovations such as e-marketing and new approaches of doing businesses rather than conducting business traditionally.

4.1 The Sources of Feedback in Small Businesses

The data obtained show different sources of feedback in small businesses such as: customers, researcher firms, financial institutes, suppliers, dealers, and other businessmen. The following figure2 shows the distribution of various sources of feedback used in small business:

FIGURE 2, SOURCES OF FEEDBACK IN SMALL BUSINESS

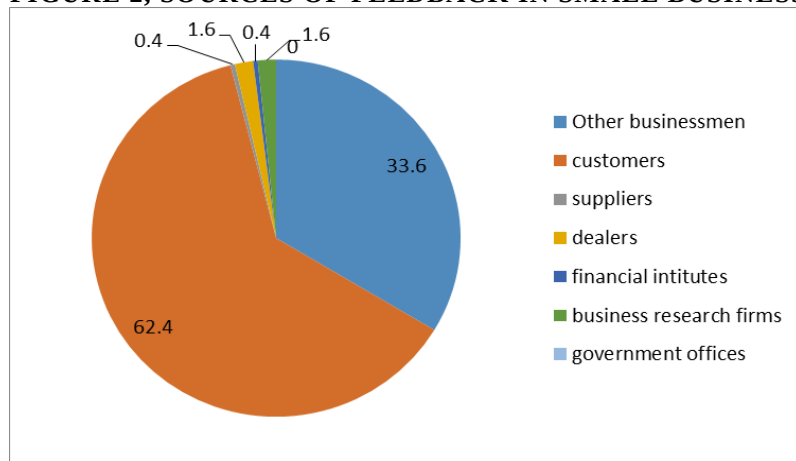


Figure 2 shows the highest source of feedback used in small business is customers which has 62.4%, other businessmen 33.6%, business research firms 1.6% and dealers 1.6% suppliers 0.4%, while government offices 0%. While suppliers are not considered to be an effective feedback as it has 0.4%. This indicates the limitation of getting more information to improve products and services, as the producers are not informed about their product. Also, feedback from financial institutions, researchers and government offices have a total of 2% which indicates the difficulty of small business to attain

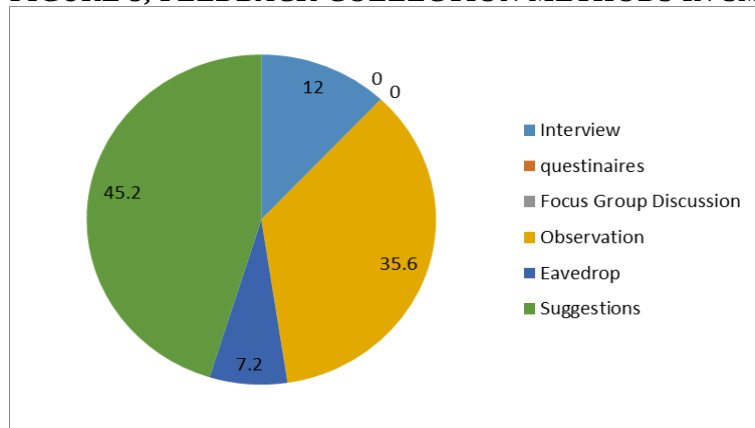
excellence. Poor information to small business limits their growth opportunities like getting capital from banks and new approaches (e-marketing). This lines with what was explained by Yahya & Mutarabukwa, (2015) that SMs in Tanzania lack appropriate information to help them to take opportunities from East African Community (EAC).

Furthermore, the interviewed small businessmen revealed the shortage of information due to the tendency of relying on few sources such as customers and other businessmen. When small businesses get feedback mainly from two sources limit the chance to get much useful information. For example, the tendency of small business failing to communicate with government offices makes them outdated and lack government support. Suppliers and financial institutions are rarely contacted, this practice leaves small businesses idle and dormant. Nevertheless, the failure to collect feedback from researchers and dealers is subjecting small business into traditional practices. Researchers bring innovations, alternative solutions, new approaches and facilitate implication of the findings by which small business could grow fast (Jose, 2013). Therefore, there is a need to support small business practitioners through research findings to attain the business excellence.

4.2 Methods Used to Collect and Manage Feedback in Small Business

Figure 3 shows the most methods used to collect feedback in small business is monitoring (indirect) inquiry has 88% which includes (observation, suggestions and eavesdrops), while direct inquiry has 12% includes (interview, questionnaires and focus group discussion). This match with what was suggested by Bernard (2002) that informal or monitoring approach includes claims, suggestions, and observation of the customers aiming to find customer satisfaction is mostly used by SMEs. Direct inquiries use formal ways like interview, questionnaires and focus group discussion which score 12% of the entire process of feedback collection, while monitoring inquiry (informal) uses observation, eavesdrop and suggestions has 88%. Informal way of collecting feedback reflects the presence of informal approaches in small business. The highest use of traditional ways of conducting businesses by most small business practitioners reflects the difficulty to attain business excellence due to limited information gathered. Informal ways of conducting business limits amount of information that could help the improvement of business, this match with the suggestion by Yahya & Mutarabukwa, (2015) that most SMEs work informally.

FIGURE 3, FEEDBACK COLLECTION METHODS IN SMALL BUSINESS



4.3 The Roles of Feedback in Small Business

Data obtained from interviewed small businessmen shows the presence of both negative feedback with (26.8%) and positive feedback (73.2%) that have effects in small business excellence, the role played by negative feedback in small business to attain excellence includes: improving or modifying goods or services provided, new innovation or services, and knowing exactly the needs of customers. Positive feedback is the most feedback obtained in business context which provides the opportunity to improve and maintain the business Parkinson's (2015). The positive feedback makes small business practitioners to maintain their services and gives confidence to the small business practitioners as the following findings demonstrate.

Data show 48% of small business interviewed like feedback with pieces of advice, while 26.8% of them seek criticizing feedback which helps to improve the services or goods provided. Small business practitioners interviewed explain how feedback helps them to improve their businesses. For example, when a customer rejects a product openly gives the opportunity to re-examine the product and hence leads to business excellence. Both positive and negative feedback play this role, where the positive gives advises while negative points direct the mistakes. That tendency of seeking feedback

reflects the readiness of improving businesses through customers' feedback. This proves that feedback gives the insight of innovation of new product, services or approach to meet the demand of the customers (Bernard, 2002). Therefore, feedback plays a big role to modify and improve goods or services delivered. Small business practitioners have to invest in feedback seeking and management for the growth of the businesses in hands. Another role of feedback found from the field is to maintain goods or services and delivering approaches. Data show 25.2% of small business practitioners seeking for appreciating feedback that enable to maintain businesses, while 74.8% do not consider feedback for maintaining businesses. This falls under positive feedback which aims at maintaining the production and service delivering approaches. Maintaining the business allows the small business practitioners to experience the market and understanding new needs to be covered in future.

Lastly, feedback improves the businesses as 64% of the respondents interviewed managed to improve their businesses, while 36% of the small business practitioners lost profit and customers by failing to utilize feedback obtained. This proves the importance of feedback toward small business excellence. Proper management of feedback makes the business more customer oriented in its production and service provision approaches. The small business practitioners should invest their time and little amount of money to collect feedback, as this will help them maintain or improve the status of their ventures.

5.0 CONCLUSION AND RECOMMENDATION

Feedback is the response from a receiver of particular information. In business, it acts as the catalyst of good relationship between the service provider and the customer. Data obtained shows that small business practitioners manage feedback for development and maintaining their businesses. Data further show that channels of feedback used mostly in small business are the word of mouth, phones while emails and other modern channels are rarely used. Also, source of feedback in small business are obtained from customers and other businessmen. The main method used to collect feedback is indirect inquiry that includes suggestions, observation and eavesdrops, while direct inquiry is rarely used. Feedback enables small business to attain business excellence by utilizing information collected. Feedback obtained enables small business to explore new opportunities, challenges and solution to various needs of the customers. That situation calls for educating small business practitioners about the importance of feedback collection and utilization.

Finally, there is a need for small business practitioners to invest in feedback collection and management to widen their business cycle by giving new inputs. The small business practitioners should be educated by the government and researchers to understand new approaches (direct methods) of collecting and managing feedback from various sources of information. Also, other studies should be conducted on how the elements of communication affects the growth of businesses.

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