BUDGETING PRACTICES FOR MARKETING IN VIETNAMESE SMES: AN EXPLORATORY QUALITATIVE STUDY

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Abstract: ***This study explores marketing budgeting practices in Vietnamese small and medium-sized enterprises (SMEs) using an exploratory qualitative approach. Drawing on semi-structured in-depth interviews with SME owners and managers, the study examines budgeting methods, decision-making processes, and key constraints shaping marketing expenditure. The findings reveal that marketing budgeting in SMEs is predominantly informal, owner-driven, and strongly influenced by cash flow considerations, with limited use of systematic performance measurement. While these practices diverge from normative budgeting frameworks advocated in marketing literature, they reflect SMEs' conscious assessments of feasibility under conditions of resource constraints and uncertainty. The study further identifies a perceived mismatch between normative budgeting models and SME realities, which is better explained through effectuation logic than through managerial deficiency. By integrating marketing budgeting theory with SME marketing and effectuation perspectives, the study contributes context-sensitive insights into marketing budgeting practices in emerging market SMEs.***

• Keywords: *marketing budgeting; small and medium-sized enterprises (SMEs); effectuation logic; marketing decision-making; qualitative research; Vietnam; emerging markets.*

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1. Introduction

Marketing budgeting is a critical component of marketing management, guiding how firms allocate resources to achieve business objectives. Classical literature recommends structured approaches such as the percentage-of-sales method, competitive parity, and the objective-and-task method (Kotler & Keller, 2016). These approaches, however, assume clear objectives, stable resources, and adequate analytical capacity conditions that are often difficult to sustain in small and medium-sized enterprises (SMEs) operating under resource constraints.

In Vietnam, SMEs account for approximately 97% of all active enterprises (Asian Development Bank, 2023), yet most face limitations related to capital availability, data infrastructure, and specialized marketing expertise. Prior studies indicate that SME marketing activities tend to be informal and experience-driven rather than based on systematic planning processes (Carson et al., 1995; Gilmore et al., 2001). Such characteristics shape how SMEs determine and adjust their marketing budgets, but empirical evidence on this issue remains limited in the Vietnamese context.

Prior research suggests that marketing decision-making in SMEs is often informal, short-term oriented, and strongly influenced by owner judgment and resource constraints (Carson et al., 1995; Gilmore et al., 2001). Limited access to performance metrics further constrains the adoption of analytical budgeting approaches. From this perspective, marketing budgeting in SMEs may be better understood as an *adaptive decision-making process shaped by feasibility considerations* rather than as a deviation from normative planning models. Effectuation logic, which emphasizes available means over predictive planning (Sarasvathy, 2001), offers a useful lens for interpreting this behavior.

Accordingly, this study explores the marketing budgeting methods used by Vietnamese SMEs, their budgeting decision-making processes, key constraints, and the extent to which their practices align with existing theoretical frameworks. Using an exploratory qualitative design with in-depth interviews, the study seeks to provide context-sensitive insights into marketing budgeting under conditions of uncertainty and resource limitation.

2. Literature Review

2.1. Marketing budgets and budgeting methods

In marketing management, the marketing budget reflects a firm's commitment of financial resources to marketing activities aimed at achieving business objectives. Classical marketing literature conceptualizes budgeting as a structured planning

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process and identifies several commonly used approaches. Kotler and Keller (2016) outline four widely adopted methods: the affordable method, the percentage-of-sales method, competitive parity, and the objective-and-task method.

(1) The affordable method determines marketing expenditure based on what a firm believes it can afford after covering other operational costs. While simple and flexible, this method is inherently reactive and does not explicitly link spending to strategic objectives. ***(2) The percentage-of-sales method*** allocates marketing budgets as a fixed proportion of current or expected revenue, offering ease of implementation but often reinforcing short-term, revenue-driven decision-making. ***(3) The competitive parity method*** sets the marketing budget by benchmarking against competitors' spending levels. This method assumes the availability of reliable information on competitors and a relatively stable competitive environment, conditions that may be difficult to meet for smaller firms**.** *And* ***(4) The objective-and-task method*** is considered the most analytically rigorous approach, as it requires firms to define specific marketing objectives and estimate the costs of achieving them. However, its application depends heavily on data availability, analytical capabilities, and planning expertise, which are often limited in small and medium-sized enterprises.

These differences suggest that while normative budgeting models emphasize strategic alignment, their practical applicability may vary significantly across organizational contexts, particularly for resource-constrained SMEs.

2.2. Marketing practices and decision-making in SMEs

Prior studies on SME marketing consistently emphasize distinctive organizational characteristics, including simple structures, strong owner involvement, limited marketing expertise, and reliance on informal, experience-based decision-making (Sureka et al., 2023; Carson et al., 1995; Gilmore et al., 2001). Marketing decisions in SMEs are often centralized in the owner-manager, with limited formal planning and weak performance measurement systems.

These characteristics have important implications for marketing budgeting. SMEs frequently face constraints related to cash flow volatility, limited access to market data, and the absence of specialized marketing personnel (Sureka et al., 2023). As a result, budgeting decisions tend to prioritize short-term affordability and operational survival over long-term strategic alignment. Prior studies suggest that marketing decisions in SMEs are often adjusted reactively in response to immediate business conditions rather than based on predefined strategic objectives (Carson et al., 1995; Gilmore et al., 2001).

This body of literature highlights a persistent tension between the structured budgeting frameworks advocated in marketing textbooks and the practical realities faced by SMEs, particularly in resource-constrained environments.

2.3. Effectuation logic and marketing budgeting in SMEs

To better understand this tension, recent entrepreneurship research offers the concept of *effectuation logic* as an alternative lens for analyzing SME decision-making. Effectuation emphasizes action based on available means, acceptable loss, and flexibility under uncertainty rather than predictive planning and goal-driven optimization (Sarasvathy, 2001).

In the context of marketing budgeting, effectuation logic suggests that SME managers are likely to allocate resources based on what they currently possess such as available cash, personal experience, and existing relationships rather than on detailed forecasts or formal budgeting models. This perspective aligns closely with empirical observations of SME marketing practices and provides a theoretical explanation for why normative budgeting frameworks may be perceived as impractical or unrealistic by small firms.

By integrating insights from marketing budgeting literature, SME marketing research, and effectuation theory, this study positions marketing budgeting in SMEs as an adaptive decision-making process shaped by resource constraints and managerial perceptions of feasibility rather than purely by strategic planning principles.

3. Research methodology

This study employed an exploratory qualitative research design to investigate marketing budgeting practices among Vietnamese small and medium-sized enterprises (SMEs). A qualitative approach was considered appropriate given the limited empirical understanding of marketing budgeting behavior in SMEs within emerging market contexts.

Data were collected through *twelve semi-structured in-depth interviews* with SME owners or managers directly involved in marketing and financial decision-making. Firms were selected using *purposive sampling*, based on criteria including firm

size, operational experience, and active engagement in marketing budgeting decisions (Palinkas et al., 2015). The sample covered SMEs from different industries to capture diverse perspectives.

The number of interviews was determined based on the principle of *theoretical saturation*. Following Guest, Bunce, and Johnson (2006), saturation was considered achieved when additional interviews no longer generated new themes relevant to marketing budgeting practices. After approximately ten interviews, recurring patterns became evident, and two additional interviews were conducted to confirm theme stability.

Interviews lasted between 45 and 60 minutes, were audio-recorded with participant consent, and transcribed verbatim. Data were analyzed using *thematic analysis* following the procedures outlined by Braun and Clarke (2006). Initial codes were generated inductively from the data and subsequently grouped into higher-order themes through iterative comparison.

Ethical considerations were strictly observed. All personal and organizational identifiers were anonymized, and collected data were securely stored and used solely for research purposes.

4. Research results

Based on the analysis of twelve in-depth interviews, four major themes were identified that reflect how Vietnamese SMEs determine and manage their marketing budgets. The presentation of findings includes descriptive frequencies and illustrative quotations to strengthen the credibility of the qualitative analysis.

First, reliance on the affordable method. A majority of SMEs (10 out of 12) indicated that their marketing budgets are determined primarily by *available cash flow*, adjusting expenditures according to monthly or quarterly revenue performance. This demonstrates a heavy dependence on the affordable method, which is common among firms with unstable cash flow. Among SMEs operating for more than five years (3 out of 12), the affordable method is sometimes *combined with the percentage-of-sales approach* to maintain a minimum level of marketing spending. More advanced methods such as *the objective-and-task approach* were not applied due to limited data and insufficient analytical capability.

Illustrative quotes:

"We increase or decrease the budget depending on how profitable the month is." (Firm 3 - F&B)

"We know the objective-task method exists, but we lack the data and skills to apply it." (Firm 8 - Education)

Second, informal and owner-driven budgeting processes

Budgeting procedures are largely informal, with decisions made through ad hoc discussions rather than documented planning. Nearly all SMEs (11 out of 12) reported that they do not have a formal budgeting process. Budget decisions are highly *owner-driven*, relying on intuition and experience rather than systematic planning. Only one firm showed minimal written documentation of the budget.

Illustrative quotes:

"I make the final decision. Staff can suggest, but I approve the budget." (Firm 5 - Retail) "We don't follow a specific plan; we spend when needed and stop when it doesn't work." (Firm 1 - Trading)

The owner-manager plays a central role in approving or adjusting the budget, while the marketing and finance departments have limited influence. This structure results in flexibility but reduces consistency and long-term planning capability.

Third, lack of data and performance measurement

SMEs face significant challenges in tracking marketing expenditures and evaluating campaign effectiveness. Most SMEs (9 out of 12) do not track marketing spending or record data suitable for performance evaluation. Only two firms monitor basic indicators such as simple conversion rates.

Illustrative quotes:

"We know how much we spend on Marketing, but not how much they return. We just look at monthly revenue." (Firm 6 - Services)

Most firms do not maintain detailed records of marketing costs or calculate key metrics such as ROI or conversion rates. As a result, budgeting decisions rely heavily on subjective assessment rather than data-driven evaluation.

Finally, perceived mismatch between normative budgeting frameworks and SME realities

Across the interviews, respondents consistently expressed a perceived mismatch between formal marketing budgeting frameworks presented in textbooks and their own operational realities. All twelve SMEs indicated that normative approaches such as the objective-and-task method or competitive

parity were viewed as difficult to apply in practice due to limited data, unstable cash flow, and the absence of specialized marketing personnel.

Rather than rejecting these frameworks outright, respondents emphasized that such methods were "theoretically sound but practically unrealistic" for small firms operating under uncertainty. Budgeting decisions were therefore shaped by what respondents perceived as feasible within their constraints, reinforcing an adaptive and experience-based approach.

Illustrative quotes include:

"Those methods look good in theory, but for small companies like ours, they are hard to implement." (Firm 10 - Retail)

"To follow those frameworks properly, you need data and people. We don't have that." (Firm 11 - Services)

This theme highlights that the gap between theory and practice is not merely a lack of managerial capability, but reflects SMEs' conscious assessment of feasibility and relevance in their specific context.

Table 1. Summary of Marketing Budgeting Practices in Vietnamese SMEs

Theme	Number of SMEs (n=12)	Percentage (%)	Description
Affordable method	10	83.3%	Budget based on available cash flow
Combination with % of revenue	3	25%	Applied by SMEs operating > 5 years
Informal, owner-driven budgeting	11	91.6%	Budget decisions dominated by owner
Basic written budgeting	1	8.3%	Minimal documentation
No performance measurement	9	75%	No use of KPI/ROI metrics
Perceived mismatch with normative frameworks	12	100%	Formal budgeting frameworks viewed as impractical for SMEs

5. Discussion

This study provides empirical insights into how Vietnamese SMEs determine and manage their marketing budgets under conditions of resource constraints and uncertainty. By integrating normative budgeting theory, SME marketing literature, and effectuation logic, the findings contribute to a more nuanced understanding of marketing budgeting as an adaptive decision-making process rather than a purely strategic planning exercise.

First, *the dominance of the affordable method* observed in the findings is consistent with recent research showing that SMEs rarely adopt sophisticated budgeting practices, instead relying on cash flow and short-term financial feasibility (Sureka et al., 2023). Rather than indicating managerial shortcomings, this pattern reflects SMEs' prioritization of financial survivability and flexibility in uncertain environments. The affordable method allows firms to adjust marketing expenditure responsively, aligning with the practical realities of volatile revenue streams commonly faced by SMEs.

Second, the prevalence of *informal, owner-driven budgeting* reinforces insights from SME marketing literature and is further supported by evidence that SMEs often rely on intuition and experience rather than systematic analysis (Nakpodia, 2021; Carson et al., 1995; Gilmore et al., 2001). In this context, budgeting decisions are closely tied to the owner-manager's experience and judgment. While such practices may diverge from formalized budgeting models, they represent a rational response to organizational simplicity and limited managerial specialization.

Third, the *lack of systematic performance measurement* further constrains SMEs' ability to adopt analytical budgeting approaches. Consistent with Mintz and Currim (2013), the absence of reliable metrics reduces the perceived value of linking marketing expenditure to formal objectives. Without credible performance indicators, advanced methods such as the objective-and-task approach are viewed as difficult to operationalize, reinforcing reliance on simpler budgeting heuristics.

Most importantly, the findings highlight a *perceived mismatch between normative budgeting frameworks and SME realities.* SMEs do not reject formal budgeting models due to ignorance or resistance to strategy; rather, they consciously assess these frameworks as theoretically sound but practically infeasible given their constraints. This perception-based gap underscores the limitations of applying large-firm budgeting prescriptions uncritically to small businesses.

Effectuation logic (Sarasvathy, 2001) offers a compelling explanatory lens for this mismatch. Under effectuation, decision-makers focus on available means, acceptable loss, and adaptability rather than predictive planning. Viewed through this lens, SME marketing budgeting emerges as an alternative form of rationality shaped by feasibility and relevance rather than by optimization against predefined objectives. This perspective helps reconcile the divergence between normative theory and observed practice, positioning SME budgeting behavior as adaptive rather than deficient.

6. Implications

The findings of this study offer several implications for SME managers, practitioners, and policymakers.

First, the dominance of affordable and owner-driven budgeting practices suggests that marketing budgeting in SMEs should be approached as a

feasibility-oriented process rather than an attempt to replicate large-firm planning models. Instead of adopting comprehensive budgeting frameworks wholesale, SMEs may benefit from *lean budgeting processes* that prioritize clarity, flexibility, and ease of implementation under resource constraints.

Second, the persistent lack of performance measurement indicates the need for *incremental improvements* rather than sophisticated analytics. Simple tracking tools such as basic campaign records, customer response indicators, or short-term sales feedback can enhance managerial awareness without imposing excessive complexity. Such tools can help SMEs gradually strengthen budgeting discipline while remaining aligned with their operational realities.

Third, the perceived mismatch between normative budgeting frameworks and SME contexts highlights the importance of *context-sensitive support mechanisms*. Training programs and advisory services should focus on adapting selected elements of formal budgeting methods to SME conditions, rather than promoting standardized "best practices" designed for larger organizations. Policymakers and support institutions may play a role by providing accessible guidance and practical templates tailored to SMEs operating in uncertain environments.

Overall, these implications emphasize that improving marketing budgeting in SMEs requires alignment with managerial perceptions of feasibility and relevance, rather than the imposition of rigid strategic models.

7. Limitations and Future Research

Despite providing valuable insights into marketing budgeting practices among Vietnamese SMEs, this study has several limitations that should be acknowledged.

First, the research adopts an exploratory qualitative design based on a relatively small sample of twelve SMEs. While this approach enables in-depth understanding of managerial perspectives and decision-making processes, the findings cannot be generalized to the entire SME population.

Second, the analysis relies primarily on self-reported information from business owners and managers. Such responses may be subject to recall bias or subjective interpretation when describing budgeting practices.

Third, the study focuses exclusively on SMEs operating in Vietnam. Institutional environments, market dynamics, and cultural factors may influence managerial behavior differently across countries, which may limit the transferability of the findings to other contexts.

Future research could address these limitations by employing quantitative or mixed-method research designs to examine marketing budgeting practices across larger SME samples. Further studies may also investigate how budgeting behavior evolves across different stages of firm development or across industry sectors. In addition, comparative research exploring the relationship between effectuation-oriented and causation-oriented decision-making may provide deeper insights into how different managerial logics shape marketing budgeting practices under varying levels of uncertainty.

8. Conclusion

This study examined marketing budgeting practices among Vietnamese small and medium-sized enterprises (SMEs) using an exploratory qualitative approach. The findings indicate that marketing budgeting in SMEs is largely informal, owner-driven, and strongly influenced by available cash flow, with most firms relying on the affordable method rather than formal planning models.

Although these practices differ from normative marketing budgeting frameworks, the results suggest that they represent adaptive responses to limited resources, data constraints, and operational uncertainty. In this context, marketing budgeting in SMEs can be understood as a pragmatic decision-making process shaped by available means and managerial judgment.

Overall, the study provides empirical insights into marketing budgeting behavior in Vietnamese SMEs and highlights the relevance of effectuation logic as a useful perspective for interpreting managerial decision-making under conditions of uncertainty.

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