Applying financial tools to marketing decisions

Abstract

It is widely argued by both managers and academics that the principal criterion for the survival of any trading institution is its ability to create value for its shareholders (Delves, 1998 and Doyle, 2000). All investment decisions, therefore, should aim to maximise shareholder wealth. Two traditional finance techniques, net present value (NPV) and internal rate of return (IRR) are widely considered the predominant methods for assessing investment decisions. However, more recently, a performance measure based on the concept of economic profit, economic value added (EVA), has been touted as the ultimate technique for maximising shareholder wealth. A positive EVA measure indicates that shareholder wealth has been created, while a negative measure indicates that shareholder wealth has been destroyed. Many users (Len and Makhija, 1996 and Dierks and Patel, 1997) strongly endorse EVA, suggesting that it better motivates managers to increase shareholder wealth than do traditional accounting metrics.

Doyle (2000) and Srivastava, et al (1999) call for marketing strategy to be integrated directly into the process of creating value for shareholders by including developments in finance. To this end, this paper shows how EVA can be used as an effective strategic marketing tool, whether for product promotion or product development, and consequently the importance of marketers understanding the tools of finance. We provide an example where EVA is used to evaluate the promotional budget to launch a new product and compare the outcome to the NPV method, with surprising results.

The remainder of the paper first gives an overview of the more commonly used investment appraisal methods and then outlines some criticisms of the more traditional performance appraisal methods. It provides some findings from a relatively recent New Zealand study and compares traditional approaches of investment appraisal with EVA.
Background

Normative finance theory suggests that maximisation of shareholders' wealth is the primary goal of any investment. Two traditional techniques commonly used in investment appraisal, which evolved during the 1950s, are net present value (NPV) and internal rate of return (IRR). Both are discounted cash flow techniques (DCF). The NPV of a project is found by subtracting a project’s initial investment from the present value of its cash inflows discounted at a rate equal to the firm’s weighted average cost of capital. A firm should only accept a project if its NPV is positive. Dean (1954) is credited with having developed the IRR concept. It is the discount rate that equates the present value of cash inflows with the projects initial investment. The firm should only accept a project if its IRR is greater than its cost of capital. Where the decision criteria for either NPV or IRR are met, the firm will earn a return that is greater than its cost of capital, thus enhancing the firm’s market value and therefore the wealth of the owners.

Doyle (2000) calls for marketing strategy to be integrated directly into the process of creating value for shareholders by including developments in finance and sees a solution in the use of DCF techniques. Ross, Westerfield and Jaffe (1993) discuss a means for evaluating marketing strategies. A question they ask is how can one determine if a firm's investment decision-making process is qualitatively and strategically sound. The solution, they suggest, lies in the stock price of the firm. If managers make correct operating and investment decisions with positive NPVs, then they are adding to shareholder wealth. This in turn should be reflected by increasing stock prices. However, some firms are reluctant to use DCF techniques, such as NPV and IRR, as these techniques often involve long-term time horizons, which contrast with what they believe is the short-term focus of the stock markets. In contrast to this perception, Mc Connell and Muscarella (1985) found that the stock market reacts appropriately to most corporate intentional or actual investments with a long-term time horizon.

Prior to NPV and IRR, two less sophisticated, though widely used methods for evaluating a proposed investment were ‘payback period’ and accounting (or average) rate of return (ARR). Because they are both simple to calculate, both methods are still widely used today. The payback period is the amount of time it takes for a firm to recover its initial investment, as calculated by its cash flows. The criteria for setting the maximum acceptable payback period include such factors as the type of project, its perceived risk, and the perceived relationship between the payback period and share value. The ARR is calculated by dividing a project’s average profits after taxes by the average book value of its investment. If the ARR exceeds a predetermined reference rate of return for the firm the investment is undertaken.

Limitations of Traditional Financial Performance Measures

A variety of other traditional performance measures, such as earnings per share (EPS), return on investment (ROI), return on assets (ROA), return on equity (ROE), sales and profit, are also used for assessing the performance of investment decisions. However, they are criticised for being driven by conventional GAAP accounting, resulting in biases and distortions, which prevent them from providing measures of true economic performance (Stewart, 1994 and Dierks and Patel, 1997). Unlike NPV, IRR and EVA, these traditional measures fail to incorporate the firm’s full cost of capital (Stewart, 1994, Lamy, 1998; Chamberlain and Campbell, 1995). The exception is residual income (RI), which allows for the total cost of capital. Although not widely used by Anglo-American companies, RI has been used by Japanese companies for decades (Sakurai, 1996). Stewart (1994) demonstrates that to ignore the full cost of capital may lead an organisation to make decisions that reduce its economic value.

Dierks and Patel (1997) and Gitman, Juchau, Flanagan, Pearson and Cemens (1998) suggest that all projects should be thought of as being financed by a target mix of debt and equity, regardless of how each is actually financed. EPS, ROI, ROA and ROE ignore the cost of capital, which can lead a
firm to make decisions that reduce economic value. An example given by Dierks and Patel (1997) is that of IBM, which recently had a ROA of more than 11%, but a cost of capital of almost 13%. If IBM accepted projects with risks similar to its existing assets, but with a ROA below 13%, stockholder value was being reduced.

**EVA is an Alternative to NPV, IRR and Other Traditional Measures**

A recently developed performance measure, Economic Value Added (EVA), appears to determine how much ‘value’ is created by an organisation for its shareholders, while overcoming the limitations of the traditional measures (Stewart, 1991). It is the net operating profit after tax (NOPAT) less the full cost of all the capital employed to produce those earnings (Capital x c). The full cost of capital, c, is the firm’s weighted average cost of capital, that is, the cost of both equity and debt. The accounting book values of the firms assets are adjusted into an ‘economic book value’. The revenue and expense items are also adjusted to provide a more realistic measure of the actual cash yield generated for investors. For example, R & D is not expensed within EVA; it is capitalised and amortised over the life of the investment. Although over 160 such adjustments have been identified, for practical reasons, only a few are ever used. As a formula, EVA is expressed as:

\[
EVA = NOPAT - \text{Capital} \times c.
\]

A positive measure indicates that shareholder wealth has been created, while a negative measure indicates that shareholder wealth has been destroyed (Stewart 1991). Therefore, any new capital invested in projects must earn more than the full cost of capital, if the project is to increase the firm’s ‘value’ and therefore shareholder wealth.

The primary purpose of EVA is to provide management with a measure of performance, in terms of the wealth creation or destruction of the entity. However, Stewart (1991) claims that EVA also works when applied to strategic planning, annual budgeting, benchmarking, capital investment decisions, incentives remuneration and investor communication (Milano, 1994). For example, when used for capital investment decisions, EVA always compares actual profit to actual investment and can be used firstly, to evaluate a proposal and secondly to monitor its economic performance once undertaken. This latter use of EVA gives it a clear advantage over NPV, which is only suitable for capital investment decision-making.

In a 1999 study of 35 of New Zealand’s top 40 listed companies (Holden and Davey, 2000), twelve were found to be using EVA for evaluating projects and eighteen believed that it is more useful than ROI in this role. They saw its main strengths as recognising the ‘true’ cost of capital, giving a medium rather than short-term perspective, indicating ‘true’ economic performance, and providing a common basis for performance comparison. It is these latter two perceived strengths of EVA that are also claimed by its advocates as giving it an advantage over other investment methods.

**EVA used as a Strategic Marketing Tool**

Dickson (1994) supports the EVA approach to evaluating marketing costs, which he treats as an investment to be depreciated over time, rather than being expensed in the current year. For example, when a new product is being launched, the initial investments in research and development, advertising and sales promotion, produce a future income stream and should therefore be spread over the life of the project in proportion to the revenue generated in each period.

The following example (Table 1 and Table 2) demonstrates how NPV and EVA might be used to evaluate a new product launch. Assume that revenue is $1,000,000 per year for the three-year life of the project and the firm’s cost of capital is 12%. For the NPV calculation the expenses are taken as $2,100,000 in year one, and zero in each of the following two years. For the EVA calculation the expenses in year one are all capitalized and spread over the life of the project. These expenses
represent research and development and other expenses benefiting the project throughout its life and are therefore depreciated over its life, in keeping with the EVA philosophy.

**Table 1: NPV Evaluation ($000)**

<table>
<thead>
<tr>
<th></th>
<th>Year 1 ($)</th>
<th>Year 2 ($)</th>
<th>Year 3 ($)</th>
</tr>
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<tbody>
<tr>
<td>Revenue</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Less Expenses</td>
<td>2,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>-1,100</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Less Tax (33%)</td>
<td>-363</td>
<td>330</td>
<td>330</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>-737</td>
<td>670</td>
<td>670</td>
</tr>
<tr>
<td>Discount Factor (12%)</td>
<td>0.893</td>
<td>0.797</td>
<td>0.712</td>
</tr>
<tr>
<td>Present Values</td>
<td>-658</td>
<td>534</td>
<td>477</td>
</tr>
<tr>
<td><strong>Net Present Value (NPV)</strong></td>
<td><strong>$353</strong></td>
<td></td>
<td></td>
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**Table 2: EVA Evaluation ($000)**

<table>
<thead>
<tr>
<th></th>
<th>Year 1 ($)</th>
<th>Year 2 ($)</th>
<th>Year 3 ($)</th>
</tr>
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<tbody>
<tr>
<td>Revenue</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Less Expenses (including depreciation)</td>
<td>700</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>EBIT</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Less Tax (33%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>NOPAT</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Less Cost of Capital (12% x $2,100)</td>
<td>252</td>
<td>252</td>
<td>252</td>
</tr>
<tr>
<td>EVA</td>
<td>-52</td>
<td>-52</td>
<td>-52</td>
</tr>
<tr>
<td>Discount Factor (STP + SOC = 3%)*</td>
<td>0.971</td>
<td>0.943</td>
<td>0.915</td>
</tr>
<tr>
<td>EVA (Present Value)</td>
<td>-50</td>
<td>49</td>
<td>48</td>
</tr>
<tr>
<td><strong>EVA (Sum of Present Values)</strong></td>
<td><strong>-$147</strong></td>
<td></td>
<td></td>
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* Social Time Preference (STP) and Social Opportunity Cost (SOC), which is a measure of societies preference for consuming today as opposed to consuming in the future.

As indicated in Table 1, the NPV for the project is $353,000. Therefore, if the decision is based on NPV, alone, the firm should accept this project, because the capital budgeting rule states that projects with a positive NPV should be accepted. However, Table 2 shows that the EVA is negative $147,000, suggesting that this project should not be accepted, as it will result in a loss of shareholder value. Where the EVA evaluation of a project contradicts the standard NPV evaluation, as in this example, management should follow the EVA recommendation, which is to accept projects with positive EVAs, as these will earn more than the full cost of capital and thereby increase the firm’s value.
**Criticisms of EVA**

Although EVA may have its benefits when compared to other financial measures, criticisms and limitations of its use have also been raised. Freedman (1998) points out that the adjustments, such as deciding which expenses should be capitalised and how to apportion capital between projects, will involve subjectivity and will make it difficult to compare results between companies. Also, a firm can modify what is included when reporting economic profit, undermining the usefulness of comparing EVA between periods. Added to this, Young (1999) states that most managers think the adjustments for determining EVA are too complex, a criticism which was also held by many NZ companies (Holden and Davey, 2000). Further, Zimmerman (1997) points out that EVA does not allow for synergies between product lines and that it is difficult to compare projects which require different amounts of capital. In spite of these shortcomings EVA is still found useful by many firms.

**Conclusions**

This paper has demonstrated that EVA can measure wealth creation by a project as well as for the entire firm (Stewart, 1991 and Brabazon and Sweeney, 1998). It seems to be a superior measure to use for investment appraisal, because it is a true measure of economic profit. It includes the full cost of capital to evaluate and subsequently monitor the performance of the investment. Dickson (1994) holds that marketing costs should be treated as an investment and depreciated over the life of the project. In this context, EVA can be used as the primary financial tool for the evaluation of marketing projects and in so doing provides the link called for by Doyle (2000) and Srivastava, et al (1999). Yet, users should be aware of some of the shortcomings inherent in potential modification between periods and that its application can be complex (Young, 1999).

**References**


This paper has been peer-reviewed.
Abstract

One of the challenges that face students, lecturers, and scholars is to review the literature that has preceded them. Essays and literature reviews may be read and written by students. Lecturers may also read essays and reviews, and write reviews and then submit the article to journals. It is therefore important that these two groups of people understand the aim of literature reviews and are able to tell the difference between a review and other types of written work. The number of students that approached the author and the presentations by lecturers at various conferences indicates that students and lecturers could be better informed of the aim of a literature review. This article argues that a sound understanding of the aim of a literature review would equip students and lecturers so that the purpose of a literature review can be correctly achieved. With the aid of other conference presentations and publication material, this article describes the aims of: essays, literature reviews, and journal article submissions. The three types of articles are compared, with an emphasis on literature reviews and how they differ from essays and journal articles. The paper also provides useful descriptions of literature review purposes that will assist students on successful essay and literature review writing. Essays are prescriptive whereas literature reviews are described as research involving analysis and research implication statements. As literature reviews are different from essays, there are a series of questions that can be asked of students to check to see if they have a well written literature review.

Keywords: Literature reviews, writing, essays, journal articles, research.

Students are faced with many challenges while they undertake their studies and training. Much of a student’s education in the tertiary education system involves learning a subject and communicating that knowledge of the subject back to an examiner. This form of learning and assessment is common; however, the written verse proposes various problems for students. A problem faced by students in particular, is to identify and make a distinction between essays and literature reviews.

Students may read and write both essays and literature reviews. It is another issue for a student to identify the differences between essays and reviews, and the purpose of the two different assessments. Students know that they must undertake an essay or literature review, but fail to identify the point of doing the exercise. If a student is asked to state the aim in their essay or literature review, the student often provides a blank and confused expression, only identifying that the point of the essay or literature review is to satisfy the course requirements that have been set by
the lecturer. The lack of an aim in the student’s assessment solution is a clear indication that the student is unaware of the purpose of the assessment.

The lack of identifying the aim of a piece of writing may not be the students fault. The lecturer may not know the difference between the aim of an essay and that of a literature review, and therefore the reason each of the student assessments is conducted is not clear to the students. Given the lecturer’s vocational position, the lecturer is also expected to tell the difference between essays, literature reviews, and papers from their own writing that could be submitted to journal publications.

The author has been approached by various students of business to health subjects. The students requested the author to describe what a literature review is. There has also been a student who has been told by their lecturer that the student’s literature review was suitable for submitting to a journal. When the student was asked to comment on submitting the paper for a journal the student replied that it was just like writing an essay, only larger. Students clearly lack understanding the difference between essays and reviews.

After the author attended several seminars and conferences where presenters describe the purpose of a literature review, without accurately reflecting the main purpose of the review, it was considered practical and necessary to argue the purpose of literature reviews. This paper aims to resurrect the deficiency by correctly describing the purpose of literature reviews, and in doing this, the purpose of essays and journal publications are stated to make comparisons. This resulting paper shows how the three types of articles are related with respect to the degree of critique and evaluation, as well as the breadth and depth of presentation.

This paper is presented in the order of describing essays, describing reviews, and describing American Psychological Association requirements of journal submissions.

**Essays**

There are many tools used in education for student learning and assessment. This paper looks firstly at essays. Students are often asked to write essays as part of the course assessment that may be comprised of assignments and examinations. The section in this paper focuses on essays for assignments and essays that are written for examinations.

Essays are answering a specific or proposed question. The lecturer may propose the question or the question may be outlined from course work or a series of lectures or tutorials. At the very least, guidance on writing, procedure, expectations, or a reading list is often given or directed to.

Students will be required to read critically in a specific area, search for and select from available material, organise thoughts, and communicate those ideas through a presentation in the form of an essay. Rather than independent research, an essay is seen as independent study. Independent research and original research is an exercise of the literature review or journal reviews discussed later, of which students at advanced levels may be required to do. The essay is a tool and exercise activity for formal examination, learning, and teaching (Anderson & Poole, 1998).

As the essay is seen as independent study rather than original research, there is a high probability that the theme has already been discussed in publications. The supervisor or lecturer often gives guidance, direction, or possible references that may be of value to the essay author. Many of the ideas have already been addressed by other authors and published already. It is for this reason that students find it difficult to write the same ideas without plagiarising an original author. The student must then address the same topic and ideas using different evidence and a different point of argument and discussion.
As the essay author has guidance, it is the essay author’s responsibility to synthesis ideas, including the ideas of previous writers into a short article. The skill of the essay author to synthesis these ideas is what becomes assessed.

Essays still involve assessing information through distinguishing information, evaluating others and formulating the author’s own ideas. The aim is generally to inform the reader that the author understands the debate on a particular topic and can logically present a perspective.

The essay should progress through the three essay parts of: Introduction, discussion, and conclusion. The introduction requires general statements about the topic and states key points that will be covered in the discussion of the essay. The discussion may be made up of many statements and sentences that support the argument or idea. The first sentence in a paragraph is the topic sentence that the rest of the paragraph aims to support, defend, and explain that idea. The last section should summarise the discussion statements and restate the key points and possible argument. The main purpose of the conclusion is to summarise the essay, not introduce new ideas.

Questions to ask if an article is an essay rather than a literature review depend on the purpose of the writing; whether the topic has been discussed before and whether the writing adds anything new to the subject area. A yes to the following questions would suggest that the written piece of work is an essay:

- Has someone written the argument before?
- Has guidance or direction been provided?

There are different ways of expressing themes in the essay. McCall (1998) provides a list containing seventeen potential ways of presenting different themes of essays. The list is broad, including cause and effect, chronological, deductive, and inductive. The range appears to be limited only by the writer’s imagination. There is no perfect way, and from the list it can be seen that many are dissimilar; even opposites of others:

Analogy
Argument
Balanced
Cause and effect
Chronological
Classic
Classification
Compare and contrast
Deductive
Definition-analysis
Descriptive
Flashback
How-to, how it is done
Imitative
Implied
Inductive
Space filler

To summarise the description of essays: they are a guided review about a particular topic for the aim of teaching and learning. There is also a high probability that the essay topic has previously been written about. There is also no pressure on the essay author to evaluate reviewed articles.

Day (1996, p.41) provides reviewer’s comments regarding a particular author’s article that was submitted to a journal for publication:
This paper reads more like an undergraduate essay than a serious article for an academic/professional journal. It is not based on any original research and contributes virtually nothing new to our understanding about EDI. Although it reviews quite a large literature, most of the works receive only a very superficial mention. There is little attempt to integrate or critically evaluate earlier published work on the subject.

The reviewer’s comments clearly indicate that an essay is not expected to be original research, contribute significantly to research knowledge, or to evaluate other literature. The essay must include an introduction, discussion, and conclusion, however, for the essay to be considered of something more substantial than an essay, the argument topic may have been discussed before. The essay is therefore not original, and because nothing new is contributed, it is not considered research.

If the essay argument has not been discussed before, then the essay matches the realms of a literature review. An essay can be considered a literature review if it does any of the following: identifies an area for research, places literature in perspective, suggests a topic area for further research, or selects methods and measures for research. These essays may form literature reviews using any one of the five purposes that will be discussed in the next section.

**Literature Review**

Essays are answering a specific and proposed question, while Emerson (1995) states that literature reviews are developing or proposing questions. A literature review may be conducted as: A stand alone study as a review article described by the American Psychological Association (2001) in the publication manual, or as a preliminary section of a research project similar to the introduction section of an empirical report described by the American Psychological Association.

The strategy of a literature review is to position the work within an historical and theoretical context, define the boundaries of the scholarly debate and position research within that debate (Emerson, 1995). This strategy is what is attempted using the literature. Within this strategy, there are five general purposes of a literature review. Any of the following purposes may be chosen by an author, though exclusion of any purpose is not intentional:

1. **Define and limit a problem.**  
   Identify a subject area that requires further research. Key issues are identified and the boundaries to the research question and area of pursuit can be defined.

2. **Place the study in perspective.**  
   Allows the researcher to explain the work of others to establish a foundation upon which research can be explored and more importantly expanded upon. The literature review gives credibility to an author to go ahead to research the particular area of study.

3. **Avoids unintentional replication of previous studies.**  
   The review gives clarification of what has been done before and what research topics require further investigation or duplication for validity and reliability. It may be appropriate to intentionally replicate previous studies where validity and reliability can be questioned on previous studies.

4. **Select methods and measures.**  
   The purpose may be to assess what has worked in what contexts and why. This may provide attention to what methodologies and procedures should be used. Limitations of previous methods may indicate where further research is necessary.
5 **Relate findings to previous knowledge and suggest areas for further research.**

The literature review can position the results and findings of the proposed study within the context of previous work of earlier studies. The concluding section of the investigation would then relate the findings to that described in the literature review and point to areas that require further investigation.

The general purpose of relating findings to previous knowledge (5) causes authors to often rewrite their original literature review. Literature reviews, as part of a larger project, are often changed in light of results (Sutton & Rafaeli, 1992). If results do not fit within the context of previous studies, the literature review could be changed so that the results are positioned within the literature.

As there are five separate, yet, non-exclusive purposes of literature reviews, the review may develop in five different ways. The particular purpose of the review will depend on the purpose of the research, such as whether the review is to be a stand alone study, or whether the review is a preliminary section of a research project as stated earlier.

The literature review is a collection and organisation of published material on a topic. The review by the author should be seeking to explain, extend, or add something to the existing literature. To add something the review may explain limitations of previous studies and thereby identify and propose different methodologies or areas for further study. A literature review requires some analysis “A literature review is not ... an essay about the subject, rather than a review of the subject” (Burns, 2004).

Ticehurst (1999) also provides a list of questions to ask in summarizing a literature review. Of the questions, the following list is useful to ask to identify whether the literature review has made any implications:

- What methods have generally been used and what methods have been neglected?
- What, in summary, does the existing research not tell us?
- What contradictions are there in the literature – either recognized or unrecognized by the authors concerned?
- What are the deficiencies in the existing research, in substantive or methodological terms?

A literature review is retracing, reviewing, and summarizing - not regurgitating. It is a synthesis of citations (Hill & Beaumont, 2004). A review has direction and purpose so that the reader is reading for something other than because they are interested in the topic. The reader should be interested in the argument and logical development of the literature.

Rountree and Laing (1996) again state that the literature review or literature survey is a familiarization for the reader and student. However, the writing is also a written piece of work that sets parameters and locates potential work within a field. The review is more than an annotated bibliography or description of what researchers have done and found. The review is analytical and evaluative. Key theorists and tests of influence need citing, but also what part of their research has direct relevance to the author’s or reader’s own research or to potential researchers. If the literature review is going to be followed by the research project, then the discussion section later in a research project should be tied in to the literature. The similarities and differences between research and the literature need drawing out.

Six types of literature reviews are suggested by Ticehurst (1999, p. 67). These types are: inclusive, evaluative, exploratory, instrumental, and content analysis. Content analysis and instrumental types
of reviews are not discussed here as they respectively relate to the text as a source of research data, and to identification of methodology. The other three types of literature reviews: inclusion, evaluative, and exploratory can be conceptualized as increasing in level of approach. Each of the three types require more evaluation and critique than the previous.

Inclusion literature reviews identify and list as much as has been substantially written on a particular topic. It is a compilation of summarized articles. The better reviews provide a logical arrangement of the different themes of the topic. The poorer reviews are simple statements of what has been written on a topic. The resulting references of an inclusive literature review are a good resource for stating the literature that can be referred back to for future searches, but there is no analysis of the included literature. The question that should be asked whether a comprehensive review has been done is: Has all the work written about the topic been included in the review?

The next stage in reviews is to develop an evaluative review. An evaluative review provides the descriptions as in an inclusive literature review, but excludes some descriptions that are not pertinent to comparing articles. An evaluative review provides a review of only the articles that add knowledge to the topic area. Additional commentary is also given regarding how the article provides additional knowledge or topic understanding. In this way, articles can be compared. The question that must be asked whether this stage of a review has been achieved is: Does every article in the review add new knowledge or understanding to the topic?

The last stage of reviews is the exploratory literature review that focuses on a particular issue or question within the subject topic. The exploratory review seeks to discover missing links in the research or provide ideas that have not been researched and explored yet. An exploratory review is much more than exploring literature. The review critiques the literature in the aim of finding something, or finding that something is missing. The logical path in identifying that something is missing should then be presented in the literature review.

Three of five types of literature reviews have been described by Ticehurst. Inclusive reviews have little analysis and appear as a summation of a topic. Evaluative reviews have selected credible articles for a particular topic area. Exploratory reviews identify missing links and gaps in previous research. The three types of literature reviews could also be described as stages or levels of review. The inclusion level summarises all literature regarding the topic. The evaluative stage omits articles from the fuller literature search, and exploratory reviews identify the gaps where further research can be conducted.

Upon describing how to get research published in journals, Day (1996, p. 43) provides three characteristics that need to be shown within a literature review. The literature review will need to be thorough, relevant, and critical. Thorough, means making sure a wide and deep search has been done of the literature, as in Ticehurst’s inclusive review. Relevant refers to including that literature that is critical and has been selected as relevant to the topic as in evaluative reviews. Credible refers to evaluating which articles are critical and omitting those articles that fail to credibly explain the development of the topic, thereby identifying the gaps.

Once authors have developed an exploratory literature review, the three characteristics of thorough, relevant, and credible have been achieved; then the reviews may go on to become journal articles.

Day (1996, pp. 41-43) has four stages of expressing a literature review. The four stages are referred to as summarise, synthesise, analyse, and authorise. Summarising refers to describing the evolution of the topic literature, synthesising refers to stating where the state of knowledge is currently and also going to, analysis refers to the influences of past research on potential research, and authorise refers to providing a contribution to the state of knowledge by identifying something that was not seen before or through relating results of a study to the literature.
To summarise literature reviews, there are five general purposes, and the review is conducted as either a stand alone study, or a preliminary section before the report of the research project. The general purposes apply to either review. For a stand alone review, the review must contain some analysis and provide something new that other reviewers do not add as this new knowledge must be able to stand alone. If the review is a preliminary section of a study, then the review is presented to answer the question why the study should or needs to be conducted regarding the research that has already gone before the current study. The review adds credibility to the study, and also validity of the research.

Journal Articles:

There are appropriate publication places for all three types of review articles: inclusive, evaluative, and exploratory. In some instances, inclusive literature reviews may be accepted in journals. But as the review adds little knowledge to the subject area, these types of reviews are more often included in books. Evaluative and exploratory reviews are those which have the greater possibility of being accepted in journals. These latter two types of articles ideally fit with a journal’s aim and are described more fully below.

Journal articles should be in either of five presentation forms as stated by the American Psychological Association (2001) manuscript guidelines. One of the forms is a report of an empirical study, and the other forms are, review articles, theoretical articles, methodological articles, and case studies. The introduction of a report of empirical studies and the review articles are of relevance in this article for comparative purposes with essays and literature reviews.

Reports of empirical studies

These reports are original research consisting of sections reflecting stages of the research process, and therefore arranged chronologically. That is: Introduction, method, results, discussion, and conclusion. This type of article is a report of the research process “The chronological stages of the research process are stated. That is: abstract, introduction, method, results, discussion” (Hill & Beaumont, 2004, p. 1). The introduction is the section of development of the problem under investigation and statement of the purpose of the investigation. Thus, the introduction section presents the literature review prior to the empirical report.

Review articles

Includes meta-analysis, these reviews are evaluations of published material. A review organizes, integrates, and evaluates previously published material. The article considers progress of current research that intends to clarify a problem. I.e. defines and clarifies a problem, summarises previous investigations to inform reader of the state of current research, identifies relations, contradictions, gaps, and inconsistencies in the literature, and suggests the next step or stages in solving the problem. The review article is arranged by relationship.

Review articles and theoretical articles both draw upon previously published material and are arranged by the content relationship. These two types of articles present the development and progress of literature to date. The reviewed literature is evaluated and selected to contribute to the argument or presentation of a flaw or gap in the previous research.

As indicated from the above summary of review articles by the American Psychological Association, literature reviews that get published must achieve the exploratory stage of reviews rather than an inclusive review or an essay. The review must be thorough, yet relevant, and also critical.
Conclusion

As shown above from the reviewer’s comments provided by Day (1996, p. 41), the article submitted to the journal must be of original research, contribute new understanding, have a thorough search, integrate and critically evaluate previous work. The published literature review in a journal article provides the highest degree of critique and analysis. Literature reviews that are not published in a journal provide less critique, evaluation, and analysis. Of the three types of articles considered in this paper, essays require the least critique and evaluation. The three types of articles are hierarchal with respect to the degree of critique and evaluation, and the amount that they contribute to the state of knowledge. Essay topics have been discussed by previous authors, though reviews in journal publications contribute something of originality to be considered research.

The significant difference between essays, literature reviews, and journal articles, is that the latter two require original research and contribution to the discipline. The literature reviews and journal articles are a culmination of a substantial piece of original work. Something more is added to the body of knowledge that an essay can not achieve.

This distinguishing difference is often due to the topic of the essay being discussed already, and the limiting factor of essays is the maximum length of them. This limits a full investigation to contribute and provide significant evidence for a hypothesis or question. The space allocated for an essay usually is not substantial enough to develop a research question or hypothesis, with the qualifying statements.

Of the three types of articles considered in this paper, essays have a wide variety of ways that they can be expressed and presented. Literature reviews have fewer ways of being presented than essays. And literature reviews in journals are strict in what is considered published. Reviews in journals must be an exploratory review that is thorough, relevant, and critical. Other reviews are infrequently published in journals.

References


This paper has been peer-reviewed.