



Planning practices in the Greek ocean shipping industry

Planning
practices

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Abstract

Purpose – To investigate and portray the nature and use of formal strategic planning in the Greek ocean shipping industry.

Design/methodology/approach – Studies carried out in well-developed industrialised countries, predominantly in the manufacturing sector, have contributed significantly to a better understanding and development of the strategic planning field. Nevertheless, there is lack of research based on countries and sectors/industries that are less conventional in nature. The study attempts to shed some light on how shipping management companies (SMC) carried out strategic planning, through a cross-sectional study based on a random sample of 34 Greek shipping organisations.

Findings – The main findings of the study concern the main planning dimensions: planning completeness, formality, internal and external orientation, CEO's involvement, planning horizons and revision frequencies.

Research limitations/implications – The study provides a benchmark for the measurement of the development of strategic planning in an important service sector in Greece. In addition, it highlights the extent to which indigenous companies operating in a highly uncertain business environment adopt formal, structured and sophisticated planning approaches.

Practical implications – It has been suggested that, if Greek shipping management companies are to obtain the full benefits of planning, systems should be developed which can accommodate advanced financial and scenario planning as well as other strategic tools and techniques. In addition the comprehensive education of the middle level management may contribute significantly to the deeper and timely understanding of the increasingly unpredictable external contingencies.

Originality/value – The paper contributes to the existing voluminous literature on planning diffusion by discussing the adoption of planning practices in organisations that operate in a highly uncertain international environment.

Keywords Strategic planning, Freight forwarding, Greece

Paper type Research paper

1. Introduction

It has been argued that the strategic planning literature is biased towards studies focusing on industries related to manufacturing such as oil, automobile and aircraft. Fewer studies have examined major service sectors such as banks (Giroux and Rose, 1984), insurance (Kukalis, 1988), and health care (Ginter *et al.*, 1985). In addition, planning research and wisdom come principally from industrialised countries such as the USA, UK, Canada and Japan, creating models and frameworks, which are not



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necessarily appropriate for the less developed countries (Haines, 1988). Despite the increasingly unified environment in economic and political terms within Europe, there are doubts about the universality of conventional planning wisdom due to the existing diversity in cultural and economic terms.

A more complete picture of planning practices needs to be developed, through research endeavours related to countries and industries that have received less attention until today. This study aims at the development of the picture mentioned above via the identification of the formal planning practices adopted by the Greek ocean shipping industry.

1.1 Study's background: the Greek economy and the ocean shipping sector

Greece has been a member of the European Union since 1981, a founding member of the OECD, and recently one of the 12 countries that adopted the Euro in January 2002. According to Hoskisson *et al.* (2000), Greece has been categorised as an emerging, advancing, or developing economy. Elaborating on this, it should be noted that although Greece is placed within the 40 most developed or richer countries in the world by adopting either the GDP or income per capita, is relatively poor when compared with the peer countries, i.e. European community or OECD.

On one hand, a number of changes that have occurred in its capital market (Athens Stock Exchange), monetary developments (introduction of the Euro) and the Olympic Games of 2004 have contributed towards a change of its economic and social scene. The study becomes more interesting since it has captured these developments throughout the transition phase.

On the other hand, the ocean shipping industry is considered a sector that contributes to the world trade and economy significantly. This is due to the fact that it is the only mode which can be used for the transport of large consignments by providing the best cost effective alternative compared to other existing alternatives such as rail, road and air. As a result, almost 90 per cent of the European Union's trade with underdeveloped or developing countries and over 30 per cent of the intra-community trade is done with the use of sea transport (ESPO, 1997) and approximately 60 per cent of all the international US shipments move by water transportation (Murphy *et al.*, 1991).

Due to transport's significance in international trade and its effect on local, national and international level, ocean shipping has been studied more from an economic point-of-view and less from an organisational perspective. Thus a plethora of studies appear in the literature at the macro and micro level examining the economics of the industry. A more detailed account of these studies is presented in section 3.

1.2 Aims and objectives

This study aims at the investigation of the use and nature of formal strategic planning in the Greek ocean shipping industry. Despite the fact that strategic planning (SP) has been adopted, developed, and severely criticised (Mintzberg, 1994), its dimensions (Boyd and Reuning-Elliot, 1998), roles and contributions to overall company effectiveness still constitute a matter of considerable dispute (Boyd, 1991; Capon *et al.*, 1994). There is a need to improve the current knowledge of SP in diverse countries and sectors in order to identify whether organisations in sectors and countries operating in diverse environments adopt sophisticated, formal and

structured SP or not. It is widely acknowledged that transferring developed country know-how in developing countries usually fails due to the variation in country environments (Capon *et al.*, 1980). Along these lines Thomas (1978) has stated:

... because manufacturing has been the dominant economic force of the last century, most managers have been educated through experience and/or formal training to think about strategic management in product oriented firms. Unfortunately, a large part of this experience is irrelevant to the management of many service organisations.

The scarce evidence on these matters creates a gap of knowledge and as such it is necessary not only to examine whether organisations in other countries and specialised industries, adopt formal, structured and sophisticated SP or not, but to identify the CEOs' preferred nature of its own involvement in similar activities.

Therefore, the purpose of this paper is threefold. First, to discuss the basic dimensions of strategic planning, second to outline the basic features of the ocean shipping industry in Greece and third to illustrate and examine empirical findings from the Greek ocean shipping sector. More precisely, the objectives of this research are:

- to identify the characteristics of the strategic planning activity on these organisations such as planning formality and completeness;
- to find out the planning horizon and the frequency of planning reviews used throughout planning;
- to investigate to what extent planning emphasises on both internal and external issues;
- to identify the involvement of the organisational hierarchy into these activities; and
- to investigate the extent of centralisation of the SP around the managing director and other members of the organisational hierarchy.

In the sections that follow, the strategic planning literature is initially reviewed. The ocean shipping sector in Greece is then analysed in terms of its importance to the country's economy and its status in the transportation industry world-wide. A number of methodological issues regarding the sample and the measurements used are then presented and finally the findings are discussed along with suggestions on implications for both future research and practice.

2. Theoretical background

In the last 40 years companies world-wide embarked on the adoption, development and increased sophistication of long range and thereafter strategic planning (Leontiades, 1980). Strategic planning has been seen as an important mechanism facilitating organisational adaptation and integration. Regarding adaptation, the fit between the external and internal environment has been the primary concern for researchers (Bourgeois, 1980). As far as integration is concerned (Armstrong, 1982) it has been emphasised that planning can ensure that "the various bits and pieces fit together". Consequently, academics and practitioners devoted special attention to the "pay-offs" of planning and as a result, a substantial number of studies have been carried out attempting to explore the relationship between planning and performance, more precisely financial performance (Thune and House, 1970; Ansoff *et al.*, 1970; Lindsay *et al.*, 1982). Positive, negative and neutral relations were found and this research

domain has been criticised as both conceptually (King, 1983) and methodologically (Miller and Cardinal, 1994) inadequate.

At the same time there has been a shift from a unidimensional to a multidimensional perspective towards the conceptualisation and the measurement of the planning process (Grinyer *et al.*, 1986; Ramajunam *et al.*, 1986; Ramajunam and Venkatraman, 1987; Veliyath and Shortell, 1993). As a result, a diverse view of the major dimensions or elements of strategic planning has become evident. For example, while Ramajunam and Venkatraman (1987) proposed six dimensions (functional coverage, use of techniques, attention to internal and external facets, resources provided and finally resistance to planning), Veliyath and Shortell (1993) used market research, planning implementation, key personnel involvement, staff planning assistance and innovativeness of strategies as the dimensions capturing the essence of strategic planning.

The present study has employed six dimensions that the literature has suggested as adequate for capturing the essence of SP. These are:

- (1) Planning formality and completeness.
- (2) The internal and external orientation.
- (3) The CEO's involvement.
- (4) Centralisation of the process.
- (5) Time horizon of planning.
- (6) The frequency of reviewing the plans.

2.1 Formality

The first dimension the study seeks to analyse is planning formality, which has been proposed as one of the most prominent characteristics of planning activity. Pearce *et al.* (1987) have noted that it "involves explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan". Various authors have conducted considerable research into the contextual factors that either favour or obstruct the development or adoption of formal planning. For example Caeldries and Van Dierdonck (1988) supported that the two basic reasons that drive firms to employ a formal strategic planning system are those related to the problem of growth and of coordination. Grinyer *et al.* (1986) found that the employed strategy (diversification) and the internal organisational arrangements (divisionalisation) are associated with planning formality.

2.2 Completeness

This dimension of planning concerns with the five steps of strategic management and planning that have been supported by the descriptive literature (Montanari *et al.*, 1990; Ginter *et al.*, 1985). These steps were related to the existence of mission statements, the extent the company engages in a thorough external and internal analysis, the emphasis given to the establishment of objectives and strategies as well as on a number of implementation issues such as the establishment of performance measures and the existence of corrective procedures. Although several authors have used the word sophistication for describing the above steps or stages, the present study uses a different terminology that is believed to be more representative and accurate.

2.3 Internal orientation

Duncan (1972) described the internal environment as:

Those relevant physical and social factors within the boundaries of the organisation or specific decision unit that are taken directly into consideration in the decision-making behaviour of individuals in that system.

Previous studies (Ansoff, 1965; Steiner, 1979) have referred to this step as a "situation audit" or "appraisal". Ramajunam *et al.* (1986) argued that for the analysis of past performance, careful examination of current strengths and weaknesses and performance shortfalls are important internal issues, which should be considered throughout any planning endeavours.

2.4 External orientation

Duncan (1972) described the external environment as:

Those relevant and social factors outside the boundaries of the organisation or specific decision unit that are taken directly into consideration.

Bourgeois (1980) proposed that the external environment can be perceived in two layers; the task and the general environment. The task environment includes suppliers, customers and competitors, affecting the daily operations of an organisation. The general environment has to do with political, economical, social and technological trends. The external environment is a vital part because it can create both opportunities and threats to an organisation, and it has been shown to affect to a great extent the processes of the firm, its structure and the managerial decision making.

2.5 CEO's participation in planning

The relevant literature has strongly emphasised that without the active support of the chief executive, planning cannot get off the ground (Lenz and Lyles, 1985). Thus, it is of great importance for any successful planning system to have the active support as early as possible in order to achieve accurate and implementable plans (Vancil, 1970). Various studies conducted in the past portrayed a substantial variation regarding the CEO's involvement in the planning process (Bhatty, 1981; Boulton *et al.*, 1982).

2.6 Planning responsibility and centralisation

With this dimension the level of planning responsibility of each one of the management levels is intended to be identified (board of directors, chief executive, senior executives, planning committee, middle/lower managers, external consultants) along with the centralisation of the planning process around the CEO. Kukalis (1991) suggests that in a complex environment top management takes more responsibility for strategic planning whereas in a relatively simple environment the corporate planning staff has a higher level of participation. Yasai-Ardekani and Haug (1997) supported that competitive pressures, which may exist in the environment, require a greater CEO involvement in the strategic planning process compared to that of top and line management. Line management involvement allows the organisation to deal more efficiently with competitive pressures while CEO's and top management's involvement assures greater control over the organisation's central direction (Grinyer *et al.*, 1986).

2.7 Planning horizon

Ewing (1972) argued that:

The utterly essential dimension of planning is time ... Yet time is the one dimension of planning that never gets discussed. It is treated as if it were a constant that everyone understands.

Whereas Das (1987) noted that:

The notion of planning for a specific slice of the future time zone is of course the basis for what is usually known as the planning period or planning horizon in an organisation.

Planning horizon comprises the basis for allocation of corporate resources and the coordination of long-range and short-range planning. Nevertheless, considerable differences in opinion exist within the literature regarding the length indicated by long-range time horizon (Sapp and Seiler, 1981; Kudla, 1982; Denning and Lehr, 1971; Schollhammer, 1970; Lindsay and Rue, 1980). Kukalis (1991) supported that in complex environments strategic plans should have shorter time horizons. Lindsay and Rue (1980) claimed that in highly competitive environments it is more difficult to adopt long-term planning horizons. In benign environments it is more feasible to specify long-term horizons because both the competitors' actions and changes in market share are more predictable. At least six significant organisational factors exist according to Harrison (1995) that determine the time horizon an organisation needs to plan into the future. These are:

- (1) Product life cycle.
- (2) Technological change.
- (3) Lead time.
- (4) Present value.
- (5) Organisation life cycle.
- (6) Validity of planning premises.

Additionally, the author suggests that planning horizon is also strongly related to both the capability and the willingness of the members of the top management to establish temporal boundaries since individuals operate within a context of bounded rationality. The limiting factors that exist in this context are: cognitive limitations, risk avoidance, time and cost constraints, imperfect information.

2.8 Revision

Among planners it is well known that plans are not written, they are re-written (Koufopoulos and Peattie, 2000). Boulton *et al.* (1982) argued in favour of this planning dimension by saying that:

Determining the company's performance against its plan requires some form of review process which allows management to evaluate progress towards the achievement of its objectives. Plans which are not reviewed often end up dormant in the planner's file.

3. An overview of the ocean shipping industry

The ocean shipping industry has been studied mainly from a macro and microeconomic point of view. Within the macroeconomic area, studies could be

divided among three main groups. The first group focuses on the level of freight rates and the factors that affect them (Koopmans, 1939; Hawdon, 1978; Zannetos, 1966; Kavussanos and Alizadeh-M, 2001; Tamvakis, 1995; Berg-Andreassen, 1997; Glen *et al.*, 1981; Veenstra, 1999; Mokia and Dinwoodie, 2002; Strandenes, 1999); the second set explores the factors that affect investment decisions within the ocean shipping environment (Sletmo, 1989; Heaver, 1993; Marlow and Gardner, 1980; Charemza and Gronicki, 1981; Glen, 1997; Douet, 1999); and the last group encapsulates those studies that take a more general approach focusing on the contribution of the ocean shipping industry to the national level (Marlow, 1991; Verbeke and Wilkermans, 1990; Thanopoulou, 1998; Sletmo and Holste, 1993).

At the microeconomic level, emphasis has been given on the cost of transport (Davies, 1983) and its minimisation with the use of a variety of strategies such as unitisation (Cullinane and Khanna, 2000; Gilman, 1999; Bendall and Stent, 1999), size (McCellan, 1997; Lin, 1995; Talley, 1990; Heaver and Studer, 1972; Laine and Vepsalainen, 1994), speed (Frankel, 1991; Lagoudis, 1999), reliability (Goss, 1982; Frankel, 1999) and selection of the appropriate nodes for the operators (Brown and Savage, 1996; Schoyen and Erichsen, 1995; Liberatore and Miller, 1995; Bagchi, 1989; Murphy and Farris, 1993; Murphy *et al.*, 1992).

Substantial research has taken place in the scheduling and the fleet deployment of ocean shipping companies (Brown *et al.*, 1990; Claessens, 1987; Hershy and Ladany, 1989; Lane *et al.*, 1987; Perakis and Papadakis, 1987; Psaraftis *et al.*, 1990; Ronen, 1983; Ronen, 1993; Bendall and Stent, 2001). The aim of these studies has been the minimisation of costs, maximisation of profits and optimisation of speed and fleet utilisation.

Another set of studies have focused on the perceptions between shippers and carriers in terms of the characteristics that a carrier should have. Aim of these studies was to identify whether customers and suppliers of a specific service share the same views on a particular aspect (Murphy *et al.*, 1997; Gibson *et al.*, 1993; Foster and Strasser, 1990; Mangan *et al.*, 2001; Menon *et al.*, 1998; Cerit, 2000).

Ocean shipping management companies have been studied based on the traditional management tools and theories (Lu and Marlow, 1999; Panayides and Gray, 1997; Ircha and Thomas, 1993; Goulielmos, 1996) as independent and isolated elements emphasising on their internal structure and functions without paying attention to the external environment and how this affects their operations. Within the strategic point-of-view, a number of studies exist focusing on the factors that affect the strategic decisions made by ocean shipping management companies at the corporate level (Panayides and Cullinane, 2002; Panayides and Gray, 1999; Haralambides, 1996; Lorange, 2001).

Some of these studies focus on the identification of strategies which would enable ocean shipping companies identify and take advantage of the different business opportunities in order to become more successful and thus grow. Suggestions such as the change of the present formal planning and control mechanisms (Lorange, 2001) and the creation of partnerships, which can provide the competitive advantage (Panayides and Gray, 1999; Haralambides, 1996) that companies are after appear in these studies. Other studies intend to assess the factors that a ship manager should be equipped with, identifying as important those of reputation, competency, responsiveness and trustworthiness (Panayides and Cullinane, 2002).

This study intends to cover a gap in the literature by focusing on the planning processes that take place in the Greek ocean shipping management companies via the identification of the factors that affect them and the level of involvement of the CEOs and the managerial personnel in the everyday decision making.

4. Methodology

As noted earlier, this study seeks to determine the diffusion of planning practices among the ocean shipping management companies (SMC) operating in Greece. Greece has been the focus of the study for a number of reasons. The first is the importance of the ocean shipping industry to the Greek economy since it comprises the 4.7 per cent of the country's GDP and employs 3 per cent of the total manpower (University of Piraeus, 2001). The second is the long tradition of the Greeks in almost all sectors of the ocean shipping industry (Grammenos and Choi, 1999) and finally and most importantly due to the owned capacity of the Greek operators (ocean shipping management companies). As illustrated in Figure 1, Greeks own almost one-fifth of the world's tonnage (ISL, 2002).

The Fairplay shipping directory (www.fairplay.co.uk) has been used to detect the population set comprising of over 1,000 OSMC having their registered offices in Greece. Consequently, a sample of 100 companies has been randomly selected from the population. A postal survey method was used for data collection, complemented in several cases by personal interviews to aid in the interpretation of the survey data. The questionnaire was written in English and has been carefully translated in Greek. Pilot tests of both questionnaires were conducted using three firms that were not included in the final sample.

The questionnaires, along with an explanatory letter, were sent to the chief executives of the sampled companies. A total number of 34 companies responded for yielding to a 34 per cent rate of response. In view of the nature of the study, the constructs under examination and the kind of information sought, the one key

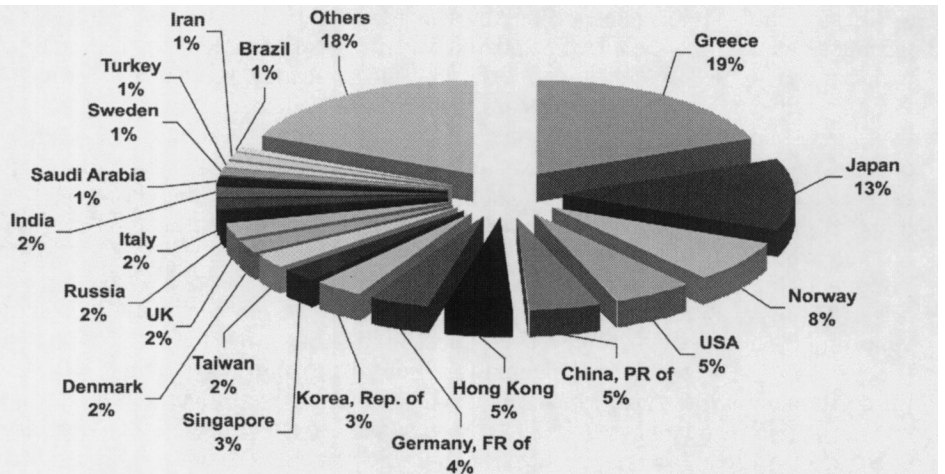


Figure 1.
Dwt share per country

Source: ISL (2002)

informant approach was judged suitable (Seidler, 1974; Huber and Power, 1985) for a number of reasons:

- a high probability that the most knowledgeable informant in each organisation provides the data;
- relatively little variation in informational and motivational biases across organisations;
- a high probability that organisations will agree to participate; and
- an increased number of organisations can be included in the sample given a fixed budget.

The authors did follow as closely as possible the guidelines suggested by Huber and Power (1985) on improving the reliability of the one key respondent methodology. These include careful identification of the correct person (in this case the managing director or the chief executive officer of sample firms), recognition of their potential personal biases, assessing the impact of alternate framing of questions and the use of pre-tested and structured questions.

The constructs and their associated variables are illustrated in Table I. Planning formality, completeness, attention to internal and external factors, CEO's involvement and centralisation were measured through multiple items in seven-point Likert scales. The constructs of planning horizon and review frequency have been measured by categorical and dichotomous scales.

Finally, a number of additional information, which was required for the clustering and categorisation of the sample, was requested by the respondents. This type of information is related to the number of employees, the total managed capacity, the geographical area(s) the company operates and the location of the head office.

The companies that were selected for this study operate in four main sectors as defined by Stopford (1997). These are liner, dry bulk, liquid bulk and specialised. The profile of these management companies in terms of size based on the number of employees and operating capacity is illustrated in Figures 2 and 3.

As it can be seen in Figure 2 the majority of the companies belong to the medium and large category in terms of employees representing 41 per cent and 53 per cent of the sample respectively. In terms of the operated capacity (as illustrated in Figure 3) the sample is more widely spread among small, medium-small, medium-large and large companies obtaining 46 per cent, 18 per cent, 24 per cent and 12 per cent respectively.

5. Findings

In the findings that follow the main features of strategic planning are presented and discussed aiming at the documentation and understanding of the attitude of the Greek ocean shipping industry regarding planning practices.

5.1 Planning completeness

Respondents were asked to indicate the extent to which their planning emphasised a number of areas. Operating performance along with financial projections and functional budgets obtain the highest mean scores of 4.91, 4.88 and 4.88 respectively as presented in Table II. Nevertheless well-known approaches such as PEST and SWOT analysis seem to be issues, which were not important for the sampled companies.

Table I.
Operationalisation of the
study's constructs

| Concept | Author | Scale | Description |
|-----------------------|--|-----------------------|--|
| Planning formality | Pearce <i>et al.</i> (1987) | Ordinal Likert 1-7 | The company has a short-range (approximately 1 year) profit plan The company has a planning process such that the final plans are accepted by those responsible for their attainment There is a person or group whose prime responsibility is to coordinate a company-wide strategic planning effort The company's top management has developed a climate in the company which supports the planning effort The company's top management has developed a formal statement of what business the company is in or wants to be in The company's plans are used to judge managerial performance |
| Planning completeness | Hahn and Powers (1999), Lykes <i>et al.</i> (1993) | Ordinal Likert 1-7 | Objective setting Environmental analysis (PEST analysis) SWOT analysis Strategy formulation Financial projections Functional budgets Operating performance measures Control and corrective procedures Less than one year One year More than 1 year and less than 3 years More than 3 years and less than 5 years Five or more years Weekly or less Monthly Quarterly Semi-annually Annually Every 1-3 years Internal capabilities Past performance Reasons for past failure |
| Planning horizon | Rhyne (1986) | Nominal | |
| Review frequency | Lindsay and Rue (1980), Kukalis (1991) | Nominal | |
| Internal factors | Ramajunam <i>et al.</i> (1986), Ramajunam and Venkatraman (1987) | Ordinal Likert 1-7 | |

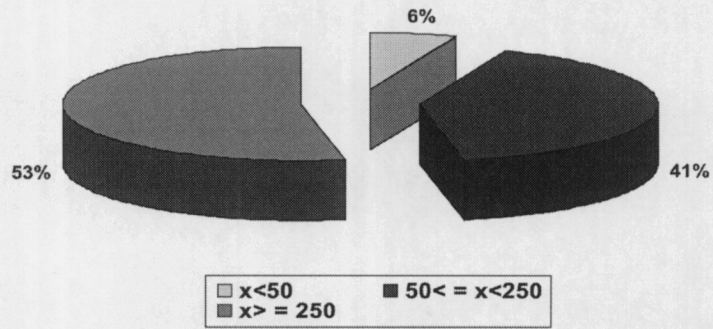
(continued)

| Concept | Author | Scale | Description |
|-------------------------|---|--------------------|--|
| External factors | Ramajunam <i>et al.</i> (1986), Ramajunam and Venkatraman (1987) | Ordinal Likert 1-7 | General economic and business conditions Regulatory issues World-wide competitive trends Supplier trends Customer and user preferences Technological trends Formulation of the mission statement Setting objectives and goals Identification of environmental threats and opportunities Analysis of strengths and weaknesses in the organisation Identifying alternative strategies before a strategy is adopted Choice of the best alternative Implementation of the strategy Evaluation and control in the strategic management process |
| CEO involvement | Ginter <i>et al.</i> (1985), Wheelen and Hunger (1995), Koufopoulos and Chrysschochoidis (2000) | Ordinal Likert 1-7 | Board of directors Chief executive Group of senior managers Planning committee Middle/lower managers Externals consultants Predicting future trends Evaluating alternatives based on more relevant information Avoiding problem areas Enhancing management development Improving short-term performance Improving long-term performance Turnover Growth in earnings Changes in market share Return on investment |
| Planning centralisation | Koufopoulos and Chrysschochoidis (2000) | Ordinal Likert 1-7 | |
| Planning performance | Ramajunam and Venkatraman (1987) | Ordinal Likert 1-7 | |
| Company performance | Ramajunam and Venkatraman (1987) | Ordinal Likert 1-7 | |

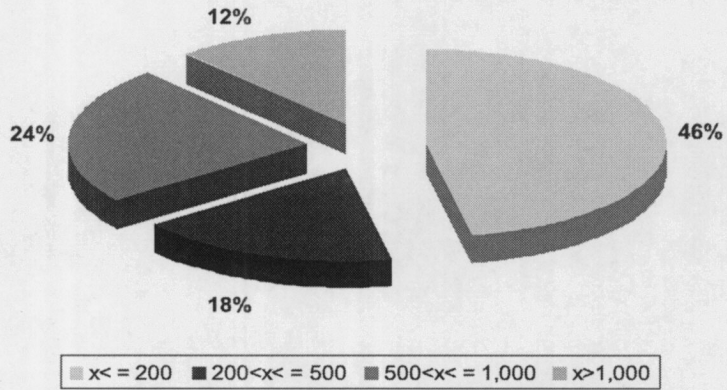
Source: Authors

Table I.

Figure 2.
Size of companies based
on employees



Source: Authors



Source: Authors

Figure 3.
Size of companies based
on operating capacity

5.2 Planning formality

Based on the results of Table III, it can be seen that OSMCs seem to pay more attention on issues that concern with the creation of a climate that supports the planning effort and the development of formal statements of what business(es) the company is in or intents to be in. These variables obtain means of 5.02 and 5 respectively, which are the highest among the rest of planning elements. Less emphasis appears to be given on issues like the person in charge of coordinating the planning effort (4.82), whether the final plans are accepted by those responsible for their attainment (4.58), short range profit plans (4.5), and on whether company's plans are used to judge managerial performance (4.41).

5.3 Internal orientation

In the case of the internal factors, OSMCs are interested more in the continuous improvement of their internal capabilities and the identification of the reasons for past failure and less in the past performance as illustrated in Table IV.

| | Less emphasis | | | | | More emphasis | | | | | Mean | St. Dev. | | | | |
|--|---------------|------|---|------|---|---------------|---|------|----|------|------|----------|----|------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | | | | |
| Short range profit plan | 1 | 2.9 | 6 | 17.6 | 4 | 11.8 | 1 | 2.9 | 12 | 35.3 | 6 | 17.6 | 4 | 11.8 | 4.5000 | 1.7451 |
| Final plans accepted by those responsible for their attainment | 2 | 5.9 | 4 | 11.8 | 4 | 11.8 | 3 | 8.8 | 6 | 17.6 | 13 | 38.2 | 2 | 5.9 | 4.5882 | 1.7601 |
| Person that coordinates the strategic planning effort | 2 | 5.9 | 3 | 8.8 | 2 | 5.9 | 7 | 20.6 | 4 | 11.8 | 10 | 29.4 | 6 | 17.6 | 4.8235 | 1.8002 |
| Creation of a climate that supports planning effort | 2 | 5.9 | 3 | 8.8 | 1 | 2.9 | 5 | 14.7 | 7 | 20.6 | 7 | 20.6 | 9 | 26.5 | 5.0294 | 1.8338 |
| Development of a formal statement | 3 | 8.8 | 3 | 8.8 | 4 | 11.8 | 2 | 5.9 | 2 | 5.9 | 9 | 26.5 | 11 | 32.4 | 5.0000 | 2.1034 |
| Company's plans are used to judge managerial performance | 5 | 14.7 | 3 | 8.8 | 3 | 8.8 | 4 | 11.8 | 7 | 20.6 | 5 | 14.7 | 7 | 20.6 | 4.4118 | 2.0906 |

Source: Authors

Table II. Planning formality

| | Less emphasis | | | | | Considerable emphasis | | | | | Mean | St. Dev. | | | | |
|-----------------------------------|---------------|------|---|------|---|-----------------------|---|------|---|------|------|----------|----|------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | | | | |
| Objective settings | 2 | 5.9 | 5 | 14.7 | 5 | 14.7 | 2 | 5.9 | 7 | 20.6 | 5 | 14.7 | 8 | 23.5 | 4.5882 | 1.9866 |
| PEST analysis | 2 | 5.9 | 9 | 26.5 | 3 | 8.8 | 6 | 17.6 | 5 | 14.7 | 7 | 20.6 | 2 | 5.9 | 3.9412 | 1.8081 |
| SWOT analysis | 6 | 17.6 | 6 | 17.6 | 4 | 11.8 | 7 | 20.6 | 3 | 8.8 | 6 | 17.6 | 2 | 5.9 | 3.6176 | 1.9230 |
| Strategy formulation | 2 | 5.9 | 3 | 8.8 | 8 | 23.5 | 7 | 20.6 | 3 | 8.8 | 8 | 23.5 | 3 | 8.8 | 4.2353 | 1.7243 |
| Financial projections | 2 | 5.9 | 4 | 11.8 | 3 | 8.8 | 3 | 8.8 | 6 | 17.6 | 7 | 20.6 | 9 | 26.5 | 4.8824 | 1.9504 |
| Functional budgets | 3 | 8.8 | 1 | 2.9 | 6 | 17.6 | 2 | 5.9 | 8 | 23.5 | 3 | 8.8 | 11 | 32.4 | 4.8824 | 1.9812 |
| Operating performance measures | 1 | 2.9 | 5 | 14.7 | 3 | 8.8 | 4 | 11.8 | 5 | 14.7 | 6 | 17.6 | 10 | 29.4 | 4.9118 | 1.9285 |
| Control and corrective procedures | 1 | 2.9 | 4 | 11.8 | 6 | 17.6 | 2 | 5.9 | 5 | 14.7 | 7 | 20.6 | 9 | 26.5 | 4.8529 | 1.9090 |

Source: Authors

Table III. Completeness

Table IV.
Internal factors

| | Less emphasis | | | | | More emphasis | | | | | Mean | St. Dev. | | | | |
|--------------------------|---------------|-----|---|-----|---|---------------|---|------|----|------|------|----------|---|------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | | | | |
| Internal capabilities | 1 | 2.9 | - | - | 1 | 2.9 | 6 | 17.6 | 11 | 32.4 | 8 | 23.5 | 7 | 20.6 | 5.2941 | 1.3378 |
| Past performance | 2 | 5.9 | 1 | 2.9 | 4 | 11.8 | 8 | 23.5 | 9 | 26.5 | 8 | 23.5 | 2 | 5.9 | 4.5588 | 1.5013 |
| Reasons for past failure | 2 | 5.9 | 1 | 2.9 | 1 | 2.9 | 5 | 14.7 | 9 | 26.5 | 8 | 23.5 | 8 | 23.5 | 5.1765 | 1.6417 |

Source: Authors

5.4 External orientation

As it can be seen in Table V OSMCs seem to place great emphasis on the external environment since the mean score given to each of the variables is relatively high. Nevertheless the issues that attract most of the attention are those regarding regulatory developments (5.73), the general economic and business conditions (5.64) as well as competitive trends (5.55).

5.5 CEO's involvement

The involvement of the CEO is present in all the issues discussed in this study as illustrated in Table VI. Based on these results it is the company's CEO who sets the aims and objectives (5.82), decides on the best alternatives (5.82) and gets involved in the overall evaluation and control of the company's operations (5.76).

5.6 Planning responsibility

In Table VII the degree of centralisation at the different management levels within the ocean shipping management companies is illustrated. In general it can be seen that there is a low level of centralisation since none of the managerial groups achieves a high mean score. Senior managers appear to have the higher mean score (4.91), with the board of directors coming second (4.88) and CEO's third (4.85).

Table V.
External factors

| | Less emphasis | | | | | More emphasis | | | | | Mean | St. Dev. | | | | |
|--|---------------|-----|---|-----|---|---------------|---|------|----|------|------|----------|----|------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | | | | |
| General economic and business conditions | - | - | - | - | 1 | 2.9 | 5 | 14.7 | 8 | 23.5 | 11 | 32.4 | 9 | 26.5 | 5.6471 | 1.1250 |
| Regulatory issues | - | - | 1 | 2.9 | - | - | 4 | 11.8 | 9 | 26.5 | 8 | 23.5 | 12 | 35.3 | 5.7353 | 1.2385 |
| Competitive trends | - | - | - | - | 2 | 5.9 | 3 | 8.8 | 10 | 29.4 | 12 | 35.3 | 7 | 20.6 | 5.5588 | 1.1062 |
| Supplier trends | - | - | - | - | 4 | 11.8 | 4 | 11.8 | 11 | 32.4 | 12 | 35.3 | 3 | 8.8 | 5.1765 | 1.1407 |
| Customer and user preferences | 1 | 2.9 | - | - | 3 | 8.8 | 3 | 8.8 | 8 | 23.5 | 12 | 35.3 | 7 | 20.6 | 5.3824 | 1.4145 |
| Technological trends | - | - | 1 | 2.9 | 2 | 5.9 | 3 | 8.8 | 9 | 26.5 | 12 | 35.3 | 7 | 20.6 | 5.4706 | 1.2610 |

Source: Authors

| | Not at all | | 2 | | 3 | | 4 | | 5 | | To a great extent | | Mean | St. Dev. | | |
|---|------------|-----|---|-----|---|-----|---|------|----|------|-------------------|------|------|----------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | | | | |
| Formulation of the mission statement | 1 | 2.9 | 1 | 2.9 | 3 | 8.8 | 5 | 14.7 | 6 | 17.6 | 10 | 29.4 | 8 | 23.5 | 5.2353 | 1.5775 |
| Setting objectives | - | - | 1 | 2.9 | 3 | 8.8 | 2 | 5.9 | 4 | 11.8 | 9 | 26.5 | 15 | 44.1 | 5.8235 | 1.4454 |
| Identification of threats and opportunities | - | - | 2 | 5.9 | 1 | 2.9 | 5 | 14.7 | 11 | 32.4 | 9 | 26.5 | 6 | 17.6 | 5.2353 | 1.3271 |
| Analysis of strengths and weaknesses | - | - | 1 | 2.9 | 2 | 5.9 | 4 | 11.8 | 11 | 32.4 | 11 | 32.4 | 5 | 14.7 | 5.2941 | 1.2193 |
| Alternative strategies | - | - | 1 | 2.9 | 2 | 5.9 | 3 | 8.8 | 7 | 20.6 | 17 | 50.0 | 4 | 11.8 | 5.4412 | 1.1855 |
| Choice of the best alternative | - | - | 1 | 2.9 | 1 | 2.9 | 1 | 2.9 | 8 | 23.5 | 12 | 35.3 | 11 | 32.4 | 5.8235 | 1.1927 |
| Implementation | - | - | - | - | 2 | 5.9 | 2 | 5.9 | 10 | 29.4 | 11 | 32.4 | 9 | 26.5 | 5.6765 | 1.1206 |
| Evaluation and control | - | - | - | - | 2 | 5.9 | 2 | 5.9 | 6 | 17.6 | 16 | 47.1 | 8 | 23.5 | 5.7647 | 1.0747 |

Source: Authors

Table VI. CEO's involvement

| | Very low | | 2 | | 3 | | 4 | | 5 | | 6 | | Very high | | Mean | St. Dev. |
|-----------------------|----------|------|---|------|----|------|---|------|----|------|----|------|-----------|------|--------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | | | | | | |
| | n | % | n | % | n | % | n | % | n | % | n | % | n | % | | |
| Board of directors | 2 | 5.9 | 2 | 5.9 | 6 | 17.6 | 5 | 14.7 | 2 | 5.9 | 7 | 20.6 | 10 | 29.4 | 4.8824 | 1.9504 |
| CEO | 1 | 2.9 | 6 | 17.6 | 4 | 11.8 | 3 | 8.8 | 1 | 2.9 | 10 | 29.4 | 9 | 26.5 | 4.8529 | 2.0171 |
| Senior managers | - | - | 5 | 14.7 | 3 | 8.8 | 2 | 5.9 | 10 | 29.4 | 8 | 23.5 | 6 | 17.6 | 4.9118 | 1.6582 |
| Planning committee | 4 | 11.8 | 5 | 14.7 | 5 | 14.7 | 4 | 11.8 | 5 | 14.7 | 5 | 14.7 | 6 | 17.6 | 4.1765 | 2.0519 |
| Middle/lower managers | 2 | 5.9 | 3 | 8.8 | 11 | 32.4 | 7 | 20.6 | 4 | 11.8 | 5 | 14.7 | 2 | 5.9 | 3.9118 | 1.5834 |
| External consultants | 12 | 35.3 | 6 | 17.6 | 6 | 17.6 | 1 | 2.9 | 4 | 11.8 | 2 | 5.9 | 3 | 8.8 | 2.9118 | 2.0356 |

Source: Authors

Table VII. Centralisation

5.7 Planning horizon

Based on the results illustrated in Figure 4 it is seen that the planning horizon that Greek OSMCs select is long-term. More specifically, 41 per cent of the companies prefer to adopt a long term planning horizon of more than five years. Companies that adopt a planning horizon between one to three years follow with 29 per cent and the rest are divided between short-term planning period of one year with 18 per cent and a period between one to three years with 12 per cent.

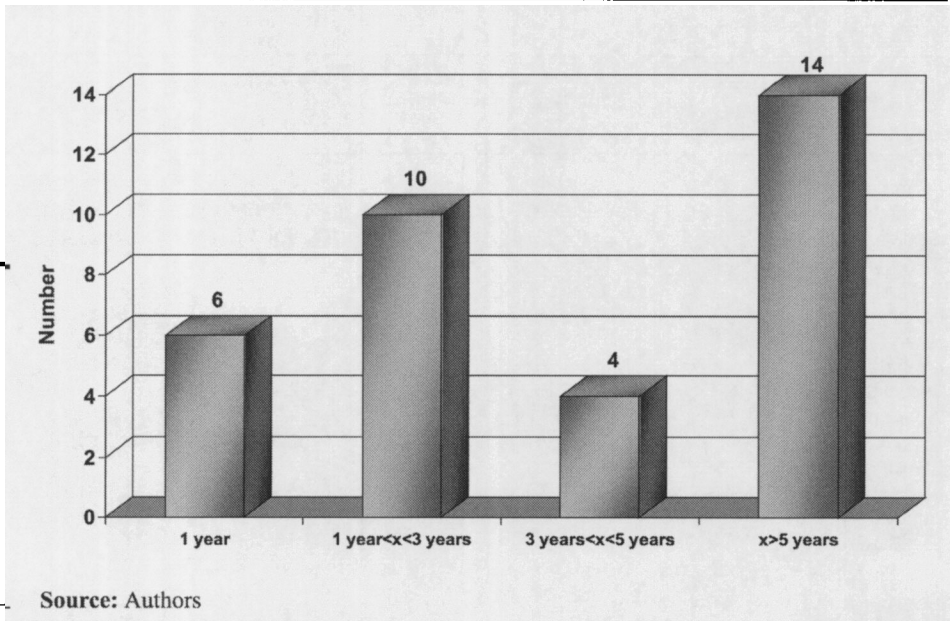


Figure 4.
Planning horizon

5.8 Planning revision

As Figure 5 illustrates almost 90 per cent of the companies tend to review their plans regularly. The majority of them are doing so every quarter and semi-annually with 56 per cent and 27 per cent respectively. Only 7 per cent of the companies review their plans weekly and monthly and even a smaller number adopts an annual planning process. Finally, none of the responding companies appeared to be following a long term planning policy.

6. Discussion, conclusions and recommendations

Organisational adaptation or strategic fit has been seen as an important domain for the strategic management research (Hrebiniak and Joyce, 1984; Venkatraman, 1990; Powell, 1992). Notwithstanding the long argument regarding whether environmental

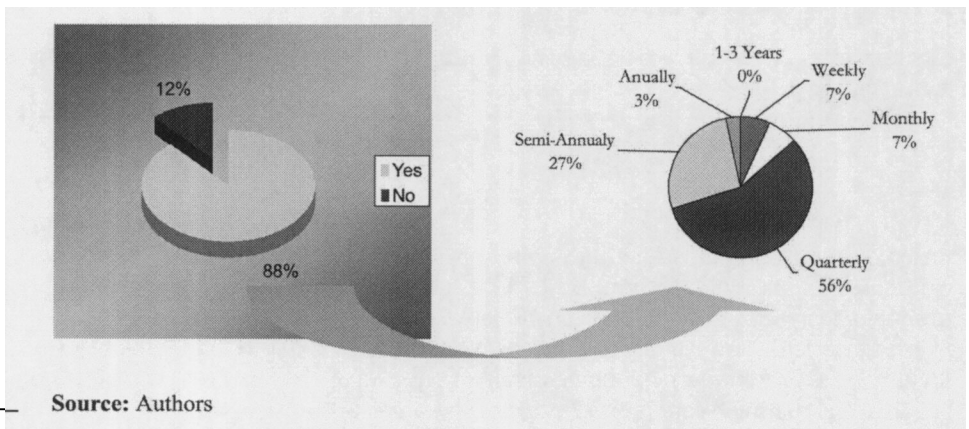


Figure 5.
Planning review

conditions influence strategic planning (Ansoff and McDonnell, 1990), there is still little empirical evidence of how the adaptation process is taking place in both diverse country environments and non-conventional industrial sectors. As a result there is limited empirical evidence regarding the kind of strategic planning approaches adopted in such countries and industries, the CEOs' role, involvement and participation in them. Thus, the study attempted to shed some light on these unexplored issues. In addition the research presented in this article incorporated the multidimensional approach for conceptualising and measuring strategic planning.

Research objective 1 focused on an attempt to identify and describe the completeness and formality of planning practices in an unconventional but extremely important industry in Greece. The study findings have shown that for both areas of planning the sampled firms seem to pursue them at a relatively high level. At this point it may be useful to compare with previous studies in other European countries. Higgins and Finn (1977) found that 80 per cent of British companies interviewed practiced corporate planning and a further 6 per cent were developing a corporate plan. Martin (1979) explained that as much as 50 per cent of UK companies were carrying out "informal" planning; 40 per cent "formal" planning and 10 per cent "comprehensive" planning. Bhatti (1981) reported that 96 per cent of the companies surveyed prepare corporate plans. Ackelsberg and Harris (1989) in a survey of Danish firms concluded that the transition from a budgeting to a planning mode was under progress. Planning in Belgian companies has been characterised as forecast based to externally oriented planning according to the classification of Gluck and Walleck (1982). Eppink *et al.* (1976) have reported similar findings regarding planning practices in The Netherlands.

The above findings may show that the likely trend in other European countries is that the "informal" planning, largely undertaken in the 1960s and 1970s, has been steadfastly superseded by "formal" planning. The study's results show that the diffusion of strategic planning may have not been complete yet. It seems that the introduction of planning has taken place significantly slower than in other European partners. This may be due to the delayed entry of Greece in the European Union, which means that Greek companies were likely operating in a relatively protected, non-competitive economic environment for several years. This is a condition that may negatively influence the introduction of strategic planning (Kallman and Shapiro, 1978).

Research objective 2 set to explore the extent that internal and external factors are taken into account throughout the planning process. Responded companies indicated that they do carry out internal and external audits to a satisfactory level. They illustrated an emphasis on the internal capabilities and resources as well as on the understanding and identification of general economic and business conditions alongside with the regulatory and legislative constraints. If this is so, there is an indication that the management in uncertain industry and country environments favours only the tools that will secure tracking the company's financial situation and the elaboration of if-then-what alternatives. The limited use of sophisticated strategic planning techniques by Greek CEOs raises the question of whether organisations in specific industries/countries follow patterns of formulation, development and implementation of strategy, which lay more towards the entrepreneurial or adaptive than the planning mode in Mintzberg and Water's (1985) terms. Nonetheless, what is not apparent in the first instance is whether company size (Welsh and White, 1981) affects the company resources attributable to strategic planning negatively or not.

Research objective 3 concerned with the level of involvement and centralisation of strategic planning around the CEOs. Three areas particularly attracted Greek CEOs' attention, namely establishing the objectives, the final choice of the strategy and the evaluation and control of the final plans. Regarding centralisation, the middle/lower management did not participate extensively in strategic planning. The relative small size of the Greek ocean shipping companies is likely to permit the rapid transfer of middle/lower level management's knowledge to the CEOs and a small team of executives. This may subsequently allow to centralise the strategic planning practices while easily communicate details of the plans to the rest of the company's personnel in a top-down approach. What is alarming though is the absence of use of outside help. This suggests selfishness in strategic planning that deprives management from precious outside experience and a delay in the diffusion of management innovations in the Greek companies.

Research objective 4 sought to establish two structural elements of planning: time horizon and planning review. Findings show that the sampled firms are looking well into the future by employing a time frame from four years onward. Their planning review routine was carried out a quarterly.

7. Conclusions and implications

Concluding it is to be remembered that the sample for this survey comprised of companies from the Greek ocean shipping industry. Whilst this sample size allows a degree of confidence in expanding from the study findings, the descriptive nature of the research approach can only allow a relatively cursory analysis of strategic planning practices employed by the sampled companies. The nature of the research approach also constitutes a major limitation of the study. Important areas such as the potential causal link between environmental uncertainty, strategic planning and CEOs' role and involvement have not been examined in any depth. There is still much to question. However, many of the findings of this study corroborate previous studies' results including Koufopoulos and Peattie (2000), Koufopoulos and Morgan (1994), and HMA (1986) in the Greek context. Focusing upon an industry sector with a highly uncertain environment, this study contributes on several areas. Firstly, provides a benchmark for the measurement of the development of strategic planning in Greece. Secondly, offers valuable information and insights into the way indigenous companies, plan their business actions towards the marketplace and thirdly illustrates how companies which operate in a highly uncertain international business environment adopt formal, structured and sophisticated strategic planning.

There is obvious scope for improvement in the practice of planning in ocean shipping. The results suggest that the majority of Greek OSMCs adopt strategic planning at a slower pace than their counterparts in developed countries such as the UK. Strategic planning in Greek OSMCs may be characterised as an amalgam of budgeting, if-then-what scenario and SWOT analysis activities. These may impact upon the quality and potential effectiveness of strategic plans produced. This may affect negatively the co-operation of Greek with foreign firms attempting to penetrate in the Greek market, particularly, though not exclusively, where acquisition or joint venture options are considered as market entry mechanisms. Extending the above to firms in other highly uncertain environment countries, it is likely that these firms' strategic planning may also lag behind their counterparts in developed-environmentally stable countries.

Moreover, if Greek OSMCs companies are to obtain the full benefits of planning, systems have to be developed which can accommodate financial, if-then-what scenario planning, and other advanced tools and techniques despite the limited resources available. The key to moving into the next stage of development may lie in the comprehensive education of work force of the Greek ocean shipping firms. Improvement of the abilities and retaining of their personnel will permit an adequate censoring of the uncertain external environment by all company force without loosening centralisation. Employees will be experienced in monitoring the market and will know how to transmit better important information to their CEOs and top management (Hussey, 1993). The challenge for companies operating in highly uncertain sectors is to enable managers to improve strategic planning skills and develop a comprehensive in-house personnel ability to screen the environment for rapid transfer of necessary information to CEOs and the top management. This will require the development and diffusion of better planning skills than those currently apparent in this study.

The nature of Greek CEOs' involvement in their companies' strategic planning and the degree of centralisation was an issue of this study. It was first found that the involvement of the Greek CEOs in strategic planning of the indigenous Greek OSMCs companies is crucial and the centralisation of the process is extensive. There was only limited use of external sources and middle/lower management, probably relating to the small-to-medium size of the Greek companies. It was argued that the rate at which a business changes depends not only on market forces, but also, upon the inclinations of the CEOs and the extent to which they are able or prepared to devolve management (Birley, 1982). It was also argued that unless the Greek CEOs have the will to adopt sophisticated strategic planning, there is little other organisational members can do in order to improve the sophistication and comprehensiveness of the process. These results suggest that higher uncertainty environment drive companies and CEOs to be involved to a greater extent in strategic planning. It was surprising though, to see that only the top management was involved in the strategic planning process. Such a high centralisation has an important effect, namely the ability of the top management and CEOs to communicate with their employees and keep abreast with developments in the marketplace. The censoring capacity of the company may suffer, since in large part, the quality and speed of environmental information received and transmitted is affected. Previous research has shown that centralised structures restrict the perceptual ability of the organisation and the flow and speed of communication within it (Lawrence and Lorsch, 1967; Thompson, 1967). According to Milliken (1990), participation in strategic decision-making responsibilities allows top managers to be exposed to the opinions of others who may be more active boundary spanners than themselves. These boundary spanners are likely to participate in external networks to exchange information about environmental trends and their potential significance (Wang and Chan, 1995). It is likely in this respect that the less participatory the strategic planning process is the less likely is top managers to notice the occurrence of an environmental change in a timely manner (Milliken, 1990). Only high levels of interaction and participation will be conducive to a high-level of information processing (Wang and Chan, 1995).

The potential explanation of the limited participation and involvement of lower and middle level management may relate to the lack of sufficient and adequate quality resources Greek businesses possess as they may operate under financial constraints and lack of professional expertise. These result into a short-term management

perspective (Welsh and White, 1981). Consequently, small businesses face substantially more barriers to adoption of sophisticated strategic planning practices and a comprehensive screening of their external environment. Small businesses may in this respect have difficulty to allow their middle/lower level personnel to devote time on strategic planning by devolving strategic management responsibilities to them. This indicates that small businesses in highly uncertain environments may have a greater task to accomplish in order to improve the sophistication of their strategic planning. The substantial implication of this is that such firms will be chronically lagging behind their counterparts in developed-environmentally stable countries regarding strategic planning. Furthermore the limited involvement of middle/lower management and external sources may show that the formulation, development and implementation of strategy may in specific countries lay, in Mintzberg and Water's (1985) terms, towards the entrepreneurial or adaptive than the planning mode. Cultural issues regarding the centrality of the figure of entrepreneur in the company's decision making may in some cases influence such entrepreneurial or adaptive mode.

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