

Winter 1990

## Single Or Multiple Competitive Strategies For Small Businesses?

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# Single Or Multiple Competitive Strategies For Small Businesses?

## **Abstract**

This research focuses upon the association between external environments, planning, and the development of competitive strategy in small business firms. The population ecology model of organizations and their environments emphasizes that only some organizations, e.g., those with the right characteristics, will be selected for survival. While management is not impotent, this model clearly emphasizes ways in which external environments directly influence the fate of organizations (Aldrich, 1979).

## **Disciplines**

Business Administration, Management, and Operations | Strategic Management Policy

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Source: *Journal of Managerial Issues*, Vol. 2, No. 4 (Winter 1990), pp. 454-468

Published by: [Pittsburg State University](#)

Stable URL: <http://www.jstor.org/stable/40603790>

Accessed: 27-02-2015 16:56 UTC

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## Single Or Multiple Competitive Strategies For Small Businesses?

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This research focuses upon the association between external environments, planning, and the development of competitive strategy in small business firms. The *population ecology model*<sup>1</sup> of organizations and their environments emphasizes that only some organizations, e.g., those with the right characteristics, will be selected for survival. While management is not impotent, this model clearly emphasizes ways in which external en-

vironments directly influence the fate of organizations (Aldrich, 1979).

In contrast, strategic planning focuses upon management's efforts to better understand and even influence their environment. Strategic planning has been recognized as an important and integral step in the management process. In recent years management scholars (e.g., Miles and Snow, 1978; Porter, 1980) have developed frameworks

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<sup>1</sup> The population ecology model represents an attempt to explain change in populations of organizations. The selection (survival) of organizations occurs because of environmental constraints, and organizations fitting environmental criteria are positively selected and survive. Bureaucratic structures and procedures may help preserve existing organizational forms once selection criteria are met (Aldrich, 1979: 26-31).

of strategic planning and have advocated strategic planning to maintain or improve a firm's competitive advantage and performance. Though this view of strategic planning has been accepted for large corporations, its applicability/appropriateness to small firms is not as clear.

### **Uncertainty, Planning, and Competitive Strategy in Small Businesses**

Thompson (1967: 159) was among the first to observe that the central problem facing management in organizations was uncertainty, and coping with uncertainty, as the essence of management. He thought that work technology was the major source of uncertainty inside the organization and that the external environment was a second major source of uncertainty. Thompson called for managers to learn more about the realities of their environment. In contrast to ecological views, Thompson (1967: 148-151) stated that an organization isn't simply a product of its environment, and neither is it independent. Survival depends upon finding "strategic" variables which can be manipulated in such a way that a viable co-alignment with the environment is possible. Duncan (1972) specified elements in the external environment that were most likely to cause uncertainty. Those included: suppliers, customers, competitors, sociopolitical forces and new technology. Duncan found that complex and dynamic environments produced more uncertainty than static and simple ones.

Child's ideas (1972) also challenge the pessimistic claims of the population ecology model. He focused attention upon "strategic choice" as a viable option for organizations, and stated that the environment should be seen as a constraint and not an imperative. Child raised several specific objections to the population ecology model. First, he stated, managers do have some autonomy and can act. Second, they are free to "satisfice" rather than being required to seek maximum effectiveness. It is enough that they seek outcomes that are satisfactory and sufficient. In addition, some organizations have the power to manipulate and even control their environment. Finally, it is management's perceptions of the environment that counts most, not the objective environment, for these perceptions influence behavior. This suggests that organizations can and should take specific actions to address the volatility/changes they experience and are likely to experience.

### **Uncertainty and Planning**

The contribution of small firms to the economy is impressive. Firms employing fewer than 100 employees dominate (in sales and number employed) in retail trade, wholesale trade, construction, fishing, forestry and agricultural services (U.S. Small Business Administration, 1984). The number of small businesses continues to increase. In 1985 alone, 700,000 small businesses began operation. Managers in many small firms are thought to face severe environmental uncertainty. A substantial number of

small firms go bankrupt each year. The bankruptcies are one indication of the uncertainty (*Wall Street Journal*, 1986). One analyst has stated that management of small firms may be more difficult than large ones, because management in small firms usually has limited human and financial resources (Patterson, 1986).

The *Wall Street Journal* (1986) has concluded that too little is known about firms that continue to operate unsuccessfully or who go out of business. Based upon Thompson's (1967) reasoning, coping with environmental uncertainty may be an important factor affecting the success of small firms. What can management in small firms do to reduce environmental uncertainty? Strategic planning has proved to be effective in large firms, although admittedly comparison across studies is difficult (Armstrong, 1982). Many have asked if strategic planning might provide benefits in small firms, too.

Strategic planning gained popularity in large firms when management lost faith in financial planning, with its emphasis on the annual budgeting process, and in long-range planning that was based upon assumptions of environmental stability. Strategic planning is needed because organizations and environments change (Hanna, 1985).

Strategic planning includes: an assessment of the threats and opportunities in the environment, of organizational strengths and weaknesses, and the development of a plan. The strategic plan typically includes a clear statement of the organization's mission, goals, and

objectives to achieve these goals, as well as organizational changes that may be necessary. Continued environmental scanning and organizational assessments are necessary so that strategic plans can be adapted as needed (Drucker, 1973; Daft, 1986).

In contrast to strategic planning, operational planning is concerned with an organization's immediate future. Operational planning involves the functional operations of a firm such as budgeting, human resources, marketing, sales, and inventory control (Green, 1982). Strategic plans typically have time frames from three to five years. The time frame for operational planning is from six months to one year.

Schuman (1975) found that very few small firms planned strategically. Major reasons for not developing strategic plans included a lack of time, resistance to change, and the belief that small firms can't benefit. Uni (1981) found that CEOs in small firms state that strategic planning increases the likelihood of success, but few actually develop strategic plans. Robinson and Littlejohn (1981) concluded that planning in small firms was most often informal and short term. Sexton and Van Auken (1982) found that fewer than one-quarter of the small firms they studied anticipated sales and profit changes to the point of articulating implementation plans. Schuman and Seeger (1986) pointed out that slack resources may be lacking in small firms which helps explain why strategic planning is less likely. In their review article Robinson and Pearce (1984) concluded that

strategic planning has not commonly been practiced by small firms.

When strategic planning does occur in small firms, does it pay benefits? Sexton and Van Auken (1982) found that the completeness of strategic planning in small retail firms was positively associated with sales, but only a few carried out true strategic planning. The same firms were restudied in 1983. Most of the firms that did not have a strategic plan in 1981 had not developed one by 1983. Nearly 20 percent of the firms with no strategic planning had failed, but only eight percent of those that planned had failed (Sexton and Van Auken, 1985).

Orpen (1985) studied the extent of strategic planning in 25 high-performing firms and 27 low-performing firms. The high-performing firms used a more formal planning process and had a longer time horizon in their planning. A significantly greater proportion of the managers in high-performing firms thought that strategic planning contributed to benefits.

Robinson and McDougall (1985) conducted one of the few studies in which the relative merits of strategic and operational planning were assessed. In this study of small retailers, they found that operational planning was superior in increasing economic success. Ackelsberg (1985) found that planning does help small firms, but that formalizing the plans (putting them on paper) did not affect economic performance. In a recent article by Robinson, Logan and Satem (1986), the researchers reported that only 15 percent of the firms

practiced strategic planning and that operational planning had more impact on economic performance.

When managers are uncertain about their environments, they do not have sufficient information and they have a difficult time predicting external changes. Uncertainty increases the risk of failure (Daft, 1986). Few empirical studies have been conducted to determine the extent to which environmental uncertainty is associated with both operational and strategic planning. Based upon what is known about environmental uncertainty and large firms, it seems reasonable to hypothesize that uncertainty and planning will be positively associated in small firms. However, there is little to guide one's thinking about the relative association between uncertainty and the two types of planning. Could it be that relatively high degrees of environmental uncertainty would motivate strategic planning in small firms? Might small firms with relatively certain environments be content to engage in operational planning? Does environmental uncertainty have a different impact in different kinds of firms, e.g., does it matter whether a small firm is engaged in retail sales, manufacturing or services? There isn't sufficient previous research to aid in the development of a hypothesis about the relative impact of uncertainty upon the two kinds of planning. Therefore, the first research question in this study is:

Is greater perceived environmental uncertainty associated with a greater amount of planning in small businesses?

### Planning and Strategy

The object of planning is to develop a strategy that will enable the organization to reach its goals. Corporate strategy is concerned with the best combination of business units and product lines for a coherent business portfolio (Leontiades, 1980). Strategic issues at the corporate level include the makeup of the overall business portfolio, acquisitions, divestments, joint ventures, and major reorganizations (Daft, 1986). Frameworks based upon a consideration of market share and market growth, such as the one developed by the Boston Consulting Group, are used to help corporate level management develop strategy (Shanklin and Ryans, Jr., 1981).

In contrast to corporate strategy, business unit strategy is concerned with a single business or product line and how this business can successfully compete (Leontiades, 1980). Strategic issues include research and development, product changes, facilities and location, expansions and contractions of lines, and advertising. When a firm is small and has only a few products that are similar, corporate and business levels are the same (Daft, 1986). The present study is a study of business units.

Miles and Snow (1978) and Porter (1980) clearly imply that each strategy in their typologies is basically a different approach to gaining a competitive advantage and that firms that try to develop multiple strategies will not, except in rare instances, achieve their goals. Utilizing multiple strategies may require inconsistent actions.

Some research and results from game-theoretical models used to analyze generic strategies indicate that firms that implement cost leadership or differentiation are more profitable and experience gains in market share (Hall, 1980; Karnani, 1984).

Murray (1988) has argued that, under certain external conditions, Porter's strategies may be linked. He suggests that a firm can take either a focused or a broad approach to either product differentiation or cost leadership. Because exogenous preconditions that call for a viable cost leadership strategy stem primarily from an industry's structural characteristics, and preconditions for product differentiation stem primarily from customer tastes, he believes that it is rational for some firms to pursue multiple strategies. Mature industries may have no unique low-cost position and Hill (1988) has suggested that it may be necessary for firms in these industries to pursue both low-cost and differentiation strategies.

Little empirical research has been conducted on the selection of strategies in small businesses. In the absence of contrary empirical evidence, and in spite of the cautions of Murray (1988) and Hill (1988), the second research questions is:

Does a greater amount of planning in small businesses increase the likelihood that management will select a single discernible competitive strategy as suggested by Miles and Snow (1978) and Porter (1980)?

### Methods

Business firms located in central



Iowa with more than 10 and less than 100 employees were the focus of this study. It was assumed planning would be less necessary in firms with less than 10 employees. In addition, these very small firms are more likely to cease to exist. Since this is a longitudinal study of planning, the desire was to work with small firms that were most likely to be in existence in the future. Most people in the Midwest work for firms with less than 100 employees. According to the Small Business Administration, 98 percent of the businesses in the U.S. qualify as small businesses, i.e., those with less than 500 employees. Of these, almost 80 percent have less than 20 employees. More importantly, these small businesses account for 55 percent of the private work force, 45 percent of all sales and 43 percent of the gross national product (McGill, 1988). These are significant reasons for studying small firms, especially those with 10-100 employees.

The goal was to obtain data from at least 30 manufacturing, 30 retail, and 30 services firms. Dun and Bradstreet files were used to obtain a list of firms with from 10 to 100 employees and provided the primary Standard Industrial Classification (SIC) codes which identified the firms' principal business activity, e.g., manufacturing, retail, or services. Because they were more numerous, it was possible to select retail and services firms from a single county. The county had 41 retail and 35 services firms that were eligible for inclusion in the sample. The firm names were alphabetized. Manufacturing firms were selected

from the same county and from a contiguous county.

Letters were mailed to CEOs explaining the purpose of the study and assuring the CEOs that information they provided would be confidential. Telephone calls were made to set up appointments with the CEOs. Project researchers stopped at each firm and give the CEO a copy of the questionnaire. A few CEOs completed the questionnaire in the presence of a researcher, but most completed them later when they had time. These CEOs had the researchers return to their offices to get the questionnaires. A total of 39 manufacturing firms, 41 retail, and 35 services firms were contacted during 1986. Refusals included 8 in manufacturing, 6 in retail and 4 in services. A total of 97 of 115 firms cooperated in this study, giving a response rate of 84 percent.

Environmental uncertainty was measured with a modified version of Duncan's (1972) and Bourgeois' (1985) scales. The CEOs responded to 12 items having to do with suppliers, customers, competitors, sociopolitical forces, and technology. (See Mulford, Shrader and Hansen, 1988, or write to the authors for a detailed discussion of the questionnaire items and scoring methods.) For each item, CEOs responded on Likert scales indicating: 1.) the extent that they were able to predict the reaction of the elements, 2.) the extent that their information was adequate to make predictions, 3.) the extent that they were certain that these elements would be important to the success or failure of their firms, and 4.) the

extent that they thought the elements were important or not in influencing the firm's important decisions.

An uncertainty score for each item was obtained by multiplying the importance of the element by the adequacy of information, plus predictability, plus uncertainty of effects. A sub-score was computed for each of the five kinds of elements as well as a total uncertainty score. The sub-scores were standardized to eliminate the effects of different numbers of items. Cronbach's alpha was computed to assess all reliabilities (Cronbach, 1951). The reliability of the total uncertainty score was .756.

Strategic planning was operationalized with questions similar to those developed by Lindsay and Rue (1980). Strategic planning was scored from 1-3 depending upon the level of completeness. Firms with no written strategic plan that projected at least one year in the future received a score of 1. Firms received a score of 2 if their plan included:

- the specification of one or more objectives and goals,
- a *pro forma* financial statement, and
- a plan and budget for
  - hiring key personnel, or
  - plant expansion, or
  - equipment, or

- research and development,  
or
- advertising.

Firms that met the above requirements and had plans that included procedures for identifying elements in the environment that may change in the future, and contained procedures for anticipating and detecting error or failure of the plan received a score of 3.

This method of determining the degree of strategic planning had been used in a study of large firms and we adopted it for comparative purposes. It is fair to ask if this method of measurement missed important aspects of strategic planning. CEOs who did not have a written plan that projected at least one year into the future were asked: "Do you have any informal methods of anticipating future events and planning?" Only 11 of the 67 who did not have a written plan responded "Yes" and elaborated. Our analysis of these responses satisfied us that our measurement method did not miss important aspects of strategic planning.<sup>2</sup>

Items developed by Robinson and McDougall (1985) were used to measure operational planning. Respondents indicated on a Likert scale to what extent the operational planning activities were part of their business' regular activities,

<sup>2</sup> Only 11 of the 67 without a written plan indicated that they had informal methods, and some CEOs mentioned more than one method. Five CEOs stated that they used one or more *pro forma* financial statements, but three of these CEOs were somewhat vague about how they used these methods to plan. Seven CEOs stated that they used informal meetings, but they were vague about what planning was done and how it was done. Three CEOs stated that they read journals or trade magazines and three stated that they did the planning in their heads. One CEO talked to customers and another stated that an educated guess was used. One CEO stated that informal contacts with managers in other firms were used to plan and another CEO stated that he just did what the previous manager had done. In previous

with 1 being "to a very little extent" and 5 being "to a very great extent." Scores were developed for budget, inventory, human resource, market, and sales planning, and a total operational planning score was computed. Because of the different number of items used to measure the types of operational planning, scores were standardized. The reliabilities for the respective kinds of operational planning were .580, .849, .842, .730, .784, and .700 for total operational planning.

Two methods were used to measure business unit strategy. The CEOs were asked to consider four short paragraphs that had been written to describe the generic strategies of Miles and Snow (1978), e.g., defender, prospector, analyzer, or reactor. CEOs were not provided any strategy names for the descriptions. Each CEO selected the one description that most applied to his/her firm's strategy. Each CEO received a score of 1 for the strategy that was selected and 0 for the other strategies. Items developed by Dess and Davis (1984) to measure Porter's (1980) generic strategies were used to develop scores for differentiation, low cost, and focus strategies. Reliabilities for the respective strategies were .761, .692, and .689. Because multiple items were used to measure the Porter strategies, results involv-

ing these strategies will receive greater attention here.

### Results

In all of the three sub-samples (manufacturing, retail, and services), the CEOs indicated that they were experiencing most uncertainty with their customers (See Table 1). They were also experiencing uncertainty because of competitors and technology. The firms were experiencing the least uncertainty with suppliers and from sociopolitical elements. The standard deviations indicate that there is a wide range of uncertainty scores. The CEO's from service firms were experiencing more uncertainty than others.

Only 32 of the 97 firms had a written strategic plan. No one firm type (manufacturing, retail or services) stood out as doing more strategic planning. The most frequent reasons given for not having a written strategic plan were cost, lack of skill and expertise, and not enough time. The typical CEO in this study indicated that he/she did use each type of operational planning to some extent.

Zero-order coefficients of correlation between uncertainty scores and strategic and operational planning are shown in Table 2. Strategic planning was significantly

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research, Sexton and Van Auken (1982, 1985) asked CEOs to indicate by what percent they estimated that their gross sales and net profits would increase or decrease over the previous year and in what specific ways they planned to alter the operation of their firms to accommodate anticipated changes in sales and profits. Only 18 percent gave satisfactory responses to these questions and were classified by Sexton and Van Auken as engaging in strategic planning. It seems pretty clear to us that the additional information provided by CEOs who did not have a written plan indicates that few had really been engaging in significant levels of strategic planning. In summary, we think that the measurement method we used did yield valid data.

Table 1

CEOs Perceived Uncertainty of Environmental Elements -  
Standardized means and Standard Deviations<sup>a</sup>

Environmental Elements	Manufacturing Firms	Retail Firms	Service Firms	Overall Sample
Suppliers	15.05 (6.72)	17.15 (7.77)	14.51 (8.97)	16.54 (7.85)
Customers	19.85 (6.45)	19.50 (8.32)	19.67 (9.63)	19.67 (8.11)
Competitors	15.77 (7.17)	17.84 (7.48)	17.24 (7.84)	17.01 (7.47)
Sociopolitical	14.63 (8.07)	15.35 (9.86)	16.98 (9.18)	15.64 (9.06)
Technology	16.79 (7.73)	15.56 (8.92)	19.63 (8.94)	17.25 (8.65)
Overall Mean Uncertainty	15.97 (4.51)	16.07 (5.76)	17.61 (6.33)	16.54 (5.99)

<sup>a</sup>Mean scores range from 1 to 20 with 20 indicating the greatest amount of uncertainty.

correlated (and modestly) with but two uncertainty elements. Total operational planning was significantly correlated with total uncertainty. Uncertainty because of suppliers, competitors, and technology was significantly correlated with more kinds of operational planning than other uncertainty elements. These results indicate that firms with more uncertainty did plan more, but not necessarily strategically. These results provided important information for the first research question.

Most of the CEOs (40 of the 96) indicated that their firms used a defender strategy when choosing domain. Another 33 indicated that their firms used an analyzer strategy and 21 said that their firms were prospectors. Only 3 stated

that their firms were reactors. No type of firm was more likely to be using these strategies than others. The mean scores for the Porter strategies also indicated that no type of firm was more likely to be using these strategies than others.

Correlations between planning and the Porter (1980) strategies are shown in Table 3. Strategic planning was significantly, but negatively correlated with differentiation (-.221). This correlation is modest. Each of the functional operations and total operational planning was significantly correlated with each of the Porter strategies. This means that the more that firms practice operational planning, the more they are likely to be using competitive strategies.

Correlations between planning

Table 2

Correlations between CEOs Uncertainty with Environmental Elements and Planning Measures

Planning	Overall	Suppliers	Customers	Competitors	Socio-political	Technology
Strategic	.091	.135*	.170*	.129	-.118	-.014
Total Operational	.266**	.256**	.026	.279**	.117	.241**
Sales	.154*	.149*	-.013	.278**	-.124	.153*
Budget	.217**	.196**	-.014	.247**	.084	.214**
Market	.221**	.170**	-.032	.163*	.222**	.270**
Inventory	.141	.240**	.084	.165*	.042	.017
Human Resources	.074	.065	-.040	.019	.127	.129

\* - significant at .10 level

\*\* - significant at .05 level

and the Miles and Snow (1978) strategies are shown in Table 4. Strategic planning was not associated with any of the strategies. Defenders did relatively less operational planning and prospectors

did more. In addition, reactors did relatively less operational planning.

An examination of the correlations between Porters (1980) competitive strategies provides evidence of multiple strategy use.

Table 3

Correlations between Planning Measures/Activities and Porter's (1980) Competitive Strategies

Competitive Strategy	Planning Measures/Activities						
	Strategic	Total Operational	Budget	Market	Inventory	Human Resource	Sales
Low Cost	-.023	.530**	.378**	.345**	.252**	.340**	.346**
Differentiation	-.221**	.406**	.312**	.171**	.258**	.182**	.355**
Focus	-.074	.300**	.239**	.178**	.148*	.204**	.244**

\* - significance at .10 level

\*\* - significance at .05 level

Table 4

Correlations between Planning Measures/Activities and Miles & Snow's (1978) Competitive Strategies

Competitive Strategy	Planning Measures/Activities						
	Strategic	Total Operational	Budget	Market	Inventory	Human Resource	Sales
Defender	.115	-.188**	-.166*	-.100	-.037	-.185**	-.097**
Prospector	-.045	.206**	.162*	.124	.112	.158*	.122
Analyzer	-.036	.064	.083	.074	-.003	-.001	-.004
Reactor	-.123	-.131	-.142*	-.212**	-.151*	.148*	-.005

\* - significance at .10 level

\*\* - significance at .05 level

Focus is correlated .541 with differentiation and .459 with low cost. Differentiation and low cost are correlated .638. These results do not provide support for the second hypothesis. Rather, these results provide support for the alternative hypothesis suggested by Hill (1988) and Murray (1988). Some small firms use a focus strategy with either differentiation or low cost. Some small firms use differentiation and low cost strategies at the same time.

#### Discussion and Managerial Implications

Strategic planning was not correlated with competitive strategies but operational planning was. Why is this true? Porter (1980) has suggested that if managers do not plan strategically, they will be stuck in the middle between competitive strategies and in confusion use aspects of more than one. In effect,

they will not have a discernible strategy. But for this to hold, we should have found a negative correlation between the level of strategic planning and multiple strategy use. This is not what we found. We found a very low, close to .00 correlation between strategic planning and competitive strategies.

Another explanation may be that strategic planning asks managers of smaller firms to project too far into the future. To receive credit, firms in this study had to have a written strategic plan that projected at least one year in the future. Only 31 of 97 firms had a strategic plan. On the other hand, the time period that was specifically mentioned on the questionnaire in reference to the operational planning activities ranged from monthly for some, to twice a year for others and once every six to twelve months for other activities.

Because of their possible link with planning, competitive strategy use, and uncertainty, correlations were computed between a number of firm and CEO characteristics, such as the CEO's age and the extent to which he/she included others when planning strategically. In general, these variables were poorly correlated with the study variables. Firms that had higher profits and sales the previous year were doing more total operational planning (.278 and .204, respectively). Larger firms do more operational planning (.206). Older firms do less total operation planning (-.305). None of the other correlations with firms' or CEOs' characteristics were significant with the study variables.

Small business environments are increasingly dynamic and small firms face competitive conditions which reflect greater risks and pressures. None-the-less, the results presented here indicate that only one-third of the firms questioned had a written strategic plan. This does not imply, however, that small firms do not see a need for strategic planning or do not benefit from such planning. The most frequently cited reasons for not planning stem from resources constraints. Small firms apparently do not have the financial resources, time or expertise to devote to strategic planning. When faced with uncertainty, firms do plan more, but this planning takes the form of short-term operational planning rather than strategic planning. Overall, the findings show that although small business managers realize a need for planning when confronted with environmental uncertainty, resource constraints may

prevent firms from engaging in strategic planning and may force these firms to concentrate instead on operational planning. The result is that these small firms take a more reactionary approach to environmental uncertainty than would be ideal. This approach has the potential to further reduce the firm's resource base. The results reported here actually reinforce the traditional recommendation that firms should plan in order to excel in their chosen line of business.

The idea that small firms are less proactive than is recommended is further supported by the results indicating that only 21 firms characterized themselves as prospectors with respect to domain selection. Domain selection is probably the point at which small firms have the most latitude to determine the extent of environmental uncertainty they face. In light of the identified relationship between environmental uncertainty and the need for planning, firms would be well-advised to take a more proactive stance with respect to domain selection. These decisions should be made in conjunction with a realistic assessment of the firm's ability to engage in operational and strategic planning.

Finally, the results indicate that firms that plan more are more likely to simultaneously pursue differentiation and low-cost strategies. This may suggest that as firms plan, they improve their cost structure *and* enhance their ability to differentiate their product. This finding substantiates the potential benefits of planning for small businesses.



### Summary and Conclusions

Small firms that are experiencing uncertainty do plan more. However, only about one-third of the firms studied had written strategic plans and strategic planning was significantly correlated only with the uncertainty associated with suppliers and customers. More of the correlations between uncertainty elements and operational planning were significant.

For these firms, operational planning is associated with the selection of multiple competitive strategies. Focus is used with both differentiation and low cost. In addition, low cost and differentiation are used in combination. It may be wrong to assume that CEOs in small firms who use multiple strat-

egies are not rational. The bottom line question is, do small firms that use multiple strategies perform better? Firms in this study estimated the percentage of change in their sales and profits for the next year. These percentage changes were not significantly correlated with competitive strategy use. However, in 1986 the Midwest was still in a deep economic recession and this may have influenced the CEOs' estimates of anticipated sales and profits. In addition, some time lag may have to occur before the impact of planning and competitive strategy use can be detected. Our goal is to survey these same firms in 1991. This longitudinal design may help us better understand the impact of planning and competitive strategy use in small firms.

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