

SUCCESSFUL IMPLEMENTATION OF STRATEGIC DECISIONS IN SMALL COMMUNITY BANKS

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For many years strategic management/business policy researchers have attempted to learn why some small enterprises achieve higher levels of performance than others. Much of the empirical research concerning strategic management in small firms has emphasized strategic planning (Bahae 1987; Bracker, Keats, and Pearson 1988; Orpen 1985; Robinson 1980; Robinson and Pearce 1983; Sexton and Van Auken 1982). What these researchers failed to recognize is that planning is only one aspect of the strategic management process (Rhyne 1986). Another aspect, which is seldom studied (even in large businesses), is the implementation of strategic decisions.

The development and selection of strategies to pursue is considered easier and less time-consuming than implementing those strategies once they have been chosen (David 1989, Jauch and Glueck 1988, Thompson and Strickland 1987). While Thompson and Strickland (1987) suggest that strategy implementation is probably five to ten times more time consuming than formulating the strategic plan, Jauch and Glueck (1988) report that executive investment in im-

plementation has been insufficient. A recent study examined a large number of corporate strategy articles appearing in a leading business periodical and found that only 14 of 33 strategies detailed in those articles succeeded (*Business Week* 1984). Several previous studies have also reported implementation failures (Bardach 1977, Pressman and Wildavsky 1973, Schultz and Slevin 1975).

This article reports on the implementation of strategic decisions in a number of small, commercial North Carolina Banks. These strategic decisions are similar to those made by other types of small businesses. Small bank strategic decisions are, however, disparately affected by the large amount of capital required for start-up and operations as well as the constraints levied on banks by the federal and state governments. This study found that small banks which experience fewer problems during a strategic-decision implementation process are more successful than those which have to resolve more of these problems. Bank presidents' self-reported effective implementation was our measure of success.

REVIEW OF THE LITERATURE

Poor implementation of an appropriate strategy can result in the failure of that strategy. A good implementation plan, however, will not only ensure the

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success of an appropriate strategy, it can also redeem a less appropriate strategy (Wheelan and Hunger 1991). This is why an increasing number of chief executives are turning their attention to the problems of implementation. Among other things, they now realize that a successful strategy depends on having in place the right organizational structures, well-designed compensation programs, and effective resource allocations, information systems, and corporate cultures (Galbraith and Kazanjian 1986, Miesing 1984). Support for this trend has come from a recent study of companies in 31 U.S. manufacturing industries in which it was revealed that firm performance is not so much a result of a company's strategy, but of its capacity to implement that strategy effectively (Lawless, Bergh, and Wilsted 1989).

Strategic management techniques used in other industries are not new to the banking industry, and, over the years, use of these techniques has intensified, not diminished. Earlier, Olson (1964) and Hegazy (1965) found that profit-planning techniques and other long-range planning frequently used in other industries (mainly manufacturing) could also be applied to commercial banking. Klein (1981) has since noted that profit margin erosion and keener competition have affected bank managers so severely that they have had to devise new management techniques.

North Carolina's small community banks provide an excellent opportunity to use evaluation processes that are normally employed to study strategic planning and implementation in small businesses because they "historically have had broad powers to engage in businesses traditionally not associated with commercial lending" (North Carolina Banking Commission 1991, 117). Challenges requiring strategic management by banks go beyond establishing

new branches and include introducing new products/services, offering competitive personalized services, meeting the needs of small businesses, altering racial lending patterns, and overcoming economic barriers to entry.

Some empirical research has examined the effects of potential problems on the implementation of strategic decisions. For example, Alexander's (1985) survey of 93 medium and large company presidents and divisional managers revealed that more than half of the group experienced the following problems when they attempted to implement a strategic change:

1. Implementation required more time than was planned
2. Unanticipated major problems
3. Crises that distracted attention away from implementation
4. Uncontrollable external environmental factors
5. Inadequate leadership and direction by departmental managers
6. Inadequate definition of key implementation tasks
7. Ineffective coordination of activities
8. Insufficient capabilities of the involved employees
9. Inadequate training and instruction of employees
10. Insufficient information systems for control of activities

In addition, Alexander found that the first six problems listed above, along with five other problems listed below were experienced to a much less significant extent by firms that implemented strategic decisions successfully (high-success firms) than by firms achieving less successful implementation (low-success firms). The five additional problems were:

11. Advocates' having left the firm during implementation
12. Unclear statements of overall goals

13. Responsibilities not being clearly defined
14. Inactive role of key formulators in implementation
15. Top management's slow communication

Alexander's work is cited in the strategic management research literature. For instance, Lederer and Mendelow (1987) cite Alexander's comment that strategic decisions are implemented more successfully when employees understand the goals behind them. Preble (1992) comments that strategic initiatives often take several years to execute fully and relatively few succeed due to classical control procedures. He cites Alexander's finding that 60 percent of the 93 company presidents who responded to his survey said that uncontrollable factors in the external environment have an adverse effect on the implementation of strategic decisions. Montanari, Morgan, and Bracker (1990) and Wheelen and Hunger (1991) cite Alexander's list of most frequently experienced implementation problems.

The firms sampled in Alexander's study were strategic business units of medium-sized and large firms from the *Fortune 500* list of industries. The firms differed with respect to their size, industry, and geographical location, and Alexander's study did not control for interindustry differences even though previous research (Beard and Dess 1979) had suggested that type of industry is a key determinant of the level of performance. Another weakness of Alexander's study was its bias toward medium and large firms, suggesting that his results may not apply to small firms. Earlier, Lindsay and Rue (1980) had suggested, as did Hofer (1975), that firm size is an important contingency variable to consider in the design of effective strategic-planning processes. Moreover, Kudla (1980), in a study of possible associations between strategic planning and per-

formance, found that previous studies (Ansoff, Avner, Brandenburg, Portner, and Radosevich 1970; Thune and House 1970; Herold 1972; Rue 1973; Karger and Malik 1975) did not control for extraneous independent variables that could have influenced performance. For example, these studies ignored economic conditions and governmental factors that differentially affected all or most of the firms. This contingency could reasonably be considered one of the extraneous variables that Kudla (1980) warned against ignoring.

These weaknesses may explain the dearth of citations to Alexander in the literature apart from the few we found in strategic management research and textbooks. Our study does not attempt to replicate Alexander's study, but rather to use his list of 15 identified problems to generate more useful findings with regard to more specific types and sizes of businesses.

PURPOSE OF THE RESEARCH

Extensive discussions and interviews with bankers at local, state, and national levels confirmed our suspicion that bankers generally believe that the larger the bank, the more problems likely to be experienced during the implementation of a strategic decision. In this study, however, our attention is on small banks, contrasting their performance with that of Alexander's medium-sized and large businesses. Formal strategic planning is also thought to reduce the frequency of some implementation problems. Little, if any, empirical data support this last belief. The purpose of the present study was to (1) determine the extent to which major problems are experienced by small firms during their implementation of strategic decisions, (2) determine the effects of these problems on the implementation success, and (3) determine whether large and small firms are differentially affected by these problems. We

also hoped to discover whether engaging in formal strategic planning significantly reduces the frequency of implementation problems. The study was designed to control for extraneous influences by limiting the sample to a significant part of a single industry in a single state. The relative stability of the North Carolina commercial banks in an industry under turmoil was an added bonus. There was only one bank failure each in 1991 and in 1993 in North Carolina, a low rate of failure compared to other industries. Restricting the study to the industry level provided an opportunity to acquire relatively precise insights into the antecedents of successful performance and to learn whether findings from medium-sized and large industrial corporations remain strong and observable among small organizations.

RESEARCH QUESTIONS AND HYPOTHESES

Research question 1. As stated earlier, Alexander's (1985) study identified 10 problems which frequently occur during the implementation of strategic decisions by medium-sized and large firms. The first research question asks, "Do small community banks experience the same problems in the implementation of strategic decisions as do medium-sized and large businesses?" To answer this question, the following hypothesis was tested:

H₁: The 10 implementation problems identified by Alexander (1985) for medium-sized and large businesses will also be experienced by small community banks during implementation of their strategic decisions.

Research question 2. Alexander (1985) also found that highly successful firms experience 11 implementation problems to a much less significant extent than do less successful firms, but neither firm size nor type of industry was taken into

account. The second research question asks, "Are firm size and type of industry important variables that affect the extent of implementation problems and/or determine implementation performance or success?" To answer the second question, the following hypothesis was tested:

H₂: High-success small banks will experience implementation problems to the same extent as low-success small banks.

Research question 3. The third research question asks, "Does utilization of a formal (written) strategic-planning process help reduce the frequency of the problems that small firms experience during the implementation process?" Several advantages are likely to accrue if formal strategic planning is utilized. For example, Taylor and Irving (1971) found that all of the respondents in their survey were enthusiastic about the benefits of formal strategic planning, reporting such advantages as (1) the identification of problems before they happen, (2) more positive attitudes of managers, (3) improved coordination of efforts to meet predetermined objectives, and (4) a clearer understanding on the part of managers of the business as a whole.

On the other hand, several authors (Buchele 1967, Cohn and Lindberg 1972, Gilmore 1971, Robinson 1980, and Steiner 1967) have suggested that informality was one of the key components of an effective small-firm planning process; and Robinson and Pearce (1983) postulate that such characteristics of effective strategic planning as "formality" may be inappropriate for small firms.

We propose that formal planning may not make any difference in successfully implementing strategic decisions. To examine the third research question, the following hypothesis was tested with respect to each of the original set of 15

problems identified by Alexander (1985):

H₃: The extent to which each potential implementation problem is experienced will not significantly differ between formal and non-formal planners.

METHODOLOGY

Sample and Subjects

Sixty-nine small, commercial community banks in North Carolina comprised the sample for our survey. Of these 69 small banks, 21 have deposits in the range of \$100 million to \$370 million, 18 have deposits in the \$50 million to \$99 million range, and 30 have deposits of less than \$50 million.

The subjects of this study were the 69 presidents of these banks. Initial contact with the subjects was made by the North Carolina Commissioner of Banks, who asked that each bank president cooperate by completing a questionnaire that would be sent to them. Incorporating the findings by Kudla (1980) and Beard and Dess (1979) in our research design, we controlled for type of industry by limiting our study to small commercial banks; for market conditions and government influences, by confining the study to a single state; and for timeliness, by ensuring that our questionnaire elicited information on decisions made within the past three years.

Research Instrument

Each president received a survey with four sets of questions. Two weeks later, follow-up telephone calls were made to encourage procrastinating subjects to respond. A total of 39 questionnaires were returned, of which 37 were usable in the analysis, thus generating a usable response rate of 53.6 percent. Of these usable responses, 13 (35.2 percent) were from banks with deposits in the \$100 million to \$370 million range, 12 (32.4 percent) from banks with deposits in the range of \$50 million to \$99 million, and

another 12 (32.4 percent) from banks with deposits of less than \$50 million.

Data Preparation and Measurement

Assessing the type of strategic decision. The first of four sets of questions in the questionnaire asked each subject to identify one recent strategic decision that had been implemented by the bank in the last three years, specifically, one that was the result of the bank's planning process and about which the subject had a great deal of personal knowledge. The types of strategic decisions identified by the responding bank presidents included introducing new products or services, opening and establishing new branches, and expanding the physical plant.

Assessing the formality of strategic planning. Written documentation has been identified as a major indicator of a move toward formal planning in small firms (Buchele 1967, Gilmore 1971, Robinson 1980). The second set of questions assessed the presence of this indicator by soliciting statements about the degree to which the bank's strategic planning process was formalized. Consistent with previous studies and based on the questionnaires used by Rue (1973), Wood and LaForge (1979), and Robinson and Pearce (1983), the bank presidents were asked to categorize their strategic planning efforts for the past three years as formal or informal.

Assessing independent variables. The third set of questions sought to evaluate the extent to which the 15 specific problems identified by Alexander (1985) arose during the implementation of strategic decisions by small banks. (To enhance the content validity of each implementation variable, this study adopted the questionnaire items used by Alexander [1985].) We define "implementation problem" as an operational obstacle to goal achievement which either existed before implementation be-

gan and was not recognized or arose as a systemic reaction to conditions of the implementation effort that were due to poor preparation or systemic failure. The term is also used to describe any unanticipated and uncontrollable external environmental phenomenon. The term is not used in the context of choice, defined here as a deliberate expansion of strategic goals along with their attendant action plans. A five-point Likert scale was used to record responses ranging from "no problem" to "a severe problem."

Assessing dependent variables. The fourth and final set of questions sought to evaluate the overall success of the strategic-decision implementation effort itself. "Overall success" refers to the achievement of an organizational goal with respect to certain criteria. There is substantial disagreement concerning the measurement of success or performance. Some researchers have used multiple measures. For instance, in studies of long-range planning effectiveness, Ansoff et al. (1970) used 21 different performance measures, Thune and House (1970) five financial measures, Herold (1972) three financial measures, and Karger and Malik (1975) used many of the same measures as Ansoff et al.

Alexander (1985) defined successful implementation efforts as those that fulfilled the following objectives: (1) achieving the initial goals and objectives of the strategic decision, (2) achieving the expected financial results (sales, income, and/or profits), and (3) remaining within the limits of initial budgets (e.g., money, manpower, time, etc.).

Two factors were considered when defining a success measure. The first was the relevance of a measure to the organization studied. The second was the desire to directly relate findings from this study to those from Alexander's. Therefore, we decided to use the three performance objectives of Alexander, listed

above, as the success measures for this study. These three dependent variables were measured on five-point Likert scales, with their averages constituting our study's success measure. Using Alexander's terminology, high-success banks were defined as those organizations whose performance was above the mean performance level of all the organizations polled, while low-success banks were defined as organizations whose performance was below the mean of all the sample banks.

Analytic Techniques

Given our interest in exploring the problems contributing to differences in implementation performance between high- and low-success banks, we deemed the nonparametric Wilcoxon test to be the appropriate analytical approach. If an interval-scale level of measurement had been possible and a normal population legitimately assumed, the *t*-test for the difference between means could have been made. However, according to Blalock (1979, 265-266), "The evidence is that for moderate and large samples, the power efficiency of the Wilcoxon test is approximately 95 percent as compared with the *t*-test." Blalock suggests that "in view of the fact [that] it requires much weaker assumptions, it should . . . be used in instances where there is reasonable doubt of the legitimacy of either the interval scale or normality."

Groupings for the Wilcoxon test. The groupings for the Wilcoxon test were constructed as follows. All respondents checking 1, 2, or 3 on the dependent-variables scales were placed in one group ("low-success banks"), and those choosing 4 or 5 on the scales were placed in the other group ("high-success banks"). In combination of the three performance objective variables, the median was used as the cut-off point to divide the two groups for analysis.

Representativeness and non-respondent bias. The issue of the representativeness of the sample and the potential for non-respondent bias were examined prior to addressing the research questions. First, the data (table 1A) were examined to determine whether the sample was representative of the population and whether the non-respondents were similar in size breakdown to the sample. In both instances, chi-square goodness of fit tests established that the differences were not significant beyond the .01 level ($\chi^2 = 1.95$, *d.f.* = 2; $\chi^2 = 2.12$, *d.f.* = 2, respectively). This indicates that the respondent sample was both representative of the population and not significantly different from the non-respondents. Next, the sample was examined to insure a representative breakdown between the number of low- and high-success banks across the three size groupings (table 1B). Using a chi-square test for independence, no significant differences were found beyond the .01 level ($\chi^2 = 0.88$, *d.f.* = 2). This indicates that the two classifications, represented by the number of low- and high-success banks, and the three size groupings are statistically independent.

RESULTS

The types of strategic decisions reported by the bank presidents were as follows: 17 banks (46 percent) reported the introduction of new products or services, 19 banks (51 percent) reported the opening and establishing of new branches, and only one bank (3 percent) reported a physical plant expansion. In assessing the formality of the strategic planning process, 31 banks categorized their planning during the past three years as "formal."

H₁: Statistical analysis results. The implementation problems that occurred most frequently among small commu-

Table 1A
CLASSIFICATION OF THE SAMPLE, NON-RESPONDENTS, AND POPULATION BY THREE SIZE GROUPINGS

Classification	Size			Total
	Low ^a	Medium ^b	High ^c	
Respondent sample	12	12	13	37
Non-respondents	18	6	8	32
Population	30	18	21	69

^aLess than \$50 million in total deposits.

^b\$50 million to \$99 million in total deposits.

^c\$100 million to \$370 million in total deposits.

Table 1B
CLASSIFICATION OF THE LOW- AND HIGH-SUCCESS BANKS BY THREE SIZE GROUPINGS

Classification	Size			Total
	Low	Medium	High	
Low-success banks	2	3	5	10
High-success banks	6	6	6	18
Total	8	9	11	28

nity banks are listed in table 2, in descending order of frequency. Two adjacent pairs of numbers on the five-point Likert scale were combined (for display purposes only) as follows: minor/moderate problems (points 2 and 3), and major/severe problems (points 4 and 5). The results indicate that 12 implementation problems were experienced by more than half of the sample banks. It is interesting to note that the 12 items listed include all 10 of the problems that were frequently encountered by the firms Alexander (1985) studied. The two additional problems identified by this study are: (1) responsibilities not being clearly defined, and (2) unclear statements of overall goals. While these 12 problems occurred frequently, the majority of banks experienced them as minor or moderate problems.

Table 2
12 MOST FREQUENTLY OCCURRING IMPLEMENTATION PROBLEMS AMONG SMALL BANKS

Strategic-Decision Implementation Problems	Mean^a (n = 37)	Frequency of Any Degree of Problem^b	Frequency of Minor/Moderate Problems	Frequency of Major/Severe Problems
More time needed than originally planned	2.76	33 (89)	27 (73)	6 (16)
Inadequate training and instruction	2.27	29 (78)	24 (65)	5 (13)
Uncontrollable external environmental factors	2.43	26 (70)	16 (43)	10 (27)
Crises that distracted attention	2.51	25 (67)	14 (37)	11 (30)
Unanticipated major problems	2.19	25 (67)	20 (54)	5 (13)
Poor definition of key implementation tasks	2.03	24 (65)	23 (62)	1 (03)
Ineffective coordination of activities	2.08	23 (62)	22 (59)	1 (03)
Insufficient capabilities of employees	2.05	22 (59)	19 (51)	3 (08)
Inadequate leadership and direction by managers	1.95	22 (59)	19 (51)	3 (08)
Inadequate monitoring by information systems	1.87	22 (59)	21 (56)	1 (03)
Responsibilities not clearly defined	1.70	19 (51)	18 (48)	1 (03)
Unclear statements of overall goals	1.68	19 (51)	17 (46)	2 (05)

^aMeasured on a 5-point Likert scale.

^bNumbers in parentheses are percentages.

H₂: Statistical analysis results. The results of the Wilcoxon test analyses for each of Alexander's 15 potential problems are displayed in table 3. As can be seen, in only four instances did the results indicate that the mean ranking score for the implementation performance of high-success banks was significantly lower than that for the performance of low-success banks. But the rest of the problems were experienced to almost the same extent by each group of banks. Therefore, *H₂* was partially confirmed. The problem associated with the most significant difference between the scores of high-success and low-success banks was "inadequate leadership and direction by managers" ($Z = -2.78$ at $p < 0.005$). The second most significant difference occurred with the problem of the "inactive role of key formulators in implementation" ($Z = -2.35$ at $p < 0.01$). The other two implementation problems were both signif-

icant at $p < 0.05$: "uncontrollable external environmental factors" ($Z = -2.02$), and "ineffective coordination of activities" ($Z = -1.94$).

These results contradict Alexander's (1985) findings that all high-success firms experience 11 implementation problems to a much less significant extent than do low-success firms. The results also revealed that in only one instance was there a significant difference between the two groups in our study that did not occur in Alexander's, namely, with respect to the problem of "ineffective coordination of activities."

H₃: Statistical analysis results. For each of the 15 potential problems, *H₃* was tested by means of a Wilcoxon test (because of the relatively small size of the non-formal planning group).

H₃ was confirmed with respect to 13 of Alexander's 15 potential implementation problems (table 4). Although they differed in their degree of formality of

Table 3
HIGH-SUCCESS VERSUS LOW-SUCCESS BANKS
WILCOXON MEAN RANKING SCORE ON EACH OF 15 IMPLEMENTATION PROBLEMS

Implementation Problem	High-Success Banks (n = 18)	Low-Success Banks (n = 10)	Z Statistic
1. More time needed than originally planned	13.97	15.45	-0.50
2. Advocates' having left the firm	13.06	17.10	-1.74
3. Crises that distracted attention	12.89	17.40	-1.44
4. Poor definition of key implementation tasks	13.92	15.55	-0.54
5. Unclear statements of overall goals	13.08	17.05	-1.35
6. Inadequate leadership and direction by managers	11.44	20.00	-2.78***
7. Responsibilities not clearly defined	13.25	16.75	-1.16
8. Inactive role of key formulators	12.17	18.70	-2.35**
9. Unanticipated major problems	13.50	16.30	-0.91
10. Top management's slow communication	13.19	16.85	-1.25
11. Uncontrollable external environmental factors	12.25	18.55	-2.02*
12. Inadequate training and instruction	13.67	16.00	-0.78
13. Ineffective coordination of activities	12.42	18.25	-1.94*
14. Insufficient capabilities of employees	13.36	16.55	-1.03
15. Inadequate monitoring by information systems	13.58	16.15	-0.84

* $p < 0.05$. ** $p < 0.01$. *** $p < 0.005$.

strategic planning, the formal and non-formal planners experienced these 13 problems with similar degrees of intensity. H_3 was disconfirmed with respect to two implementation problems: (1) "advocates' having left the firm during implementation" ($Z = -1.99$ at $p < 0.05$), and (2) "responsibilities not being clearly defined" ($Z = -1.98$ at $p < 0.05$). Nonformal planners experienced only these two problems to a significantly greater degree than did formal planners. But given the lack of significant differences in the intensity of these two problems between high-success and low-success banks, this finding supports the conclusion of a previous study (Robinson and Pearce 1983), namely, that formalization is of secondary importance in small firm strategic planning.

DISCUSSION AND CONCLUSIONS

Alexander's (1985) study identified 10 problems which occur more frequently during the process of implementing strategic decisions by large businesses. The present study indicates that these prob-

lems are also experienced by small banks, but that most banks experience them as minor or moderate problems. However, when a number of these problems are experienced simultaneously during the implementation process, serious adverse effects may be expected. Individual problems may also compound each other (e.g., "inadequate training" may lead to "incompetent employees," which then may lead to "more time needed for implementation"), with the result that "minor" problems become "major" ones.

These findings can also be applied to small businesses because of the similarity of the strategic goals of banks and small businesses. This can be tested in further research confined to small businesses only.

The results of this study partially support the findings of Alexander (1985) regarding the effects of the 15 problems he associates with the implementation process. He found that all high-success firms experienced 11 implementation problems to a less significant extent

Table 4
FORMAL PLANNERS VERSUS NON-FORMAL PLANNERS
WILCOXON MEAN RANKING SCORE ON EACH OF 15 IMPLEMENTATION PROBLEMS

Implementation Problem	Formal planners (n = 31)	Non-formal planners (n = 6)	Z Statistic
1. More time needed than originally planned	19.58	16.00	-0.81
2. Advocates' having left the firm	17.94	24.50	-1.99*
3. Crises that distracted attention	19.82	14.75	-1.09
4. Poor definition of key implementation tasks	19.42	16.83	-0.57
5. Unclear statements of overall goals	18.60	21.08	-0.57
6. Inadequate leadership and direction by managers	19.21	17.91	-0.28
7. Responsibilities not clearly defined	17.58	26.33	-1.98*
8. Inactive role of key formulators	18.97	19.17	-0.05
9. Unanticipated major problems	19.81	14.83	-1.07
10. Top management's slow communication	19.06	18.67	-0.09
11. Uncontrollable external environmental factors	20.29	12.33	-1.70
12. Inadequate training and instruction of employees	18.11	23.58	-1.20
13. Ineffective coordination of activities	19.58	16.00	-0.79
14. Insufficient capabilities of employees	18.73	20.42	-0.37
15. Inadequate monitoring by information systems	19.55	16.17	-0.75

* $p < 0.05$.

than did low-success firms. For small banks, however, we developed significant differences between high- and low-success banks on only four problems. Three of the four problems were among those identified by Alexander, while one was not on his list. What this may mean is that in promoting successful strategic-decision implementation, small firms may have to anticipate and prevent fewer problems than large firms. The unanswered question is whether large firms, because of their size and greater complexity, really do have to plan more extensively in terms of problem contingencies. On the other hand, it may be easier for large firms to do contingency planning or deal with unanticipated crises because of their greater resources. (Further research would be needed to address these speculations on large firms, which are not the focus of this study.)

Two reasons may be offered for the contradictory findings between our study and Alexander's: (1) Alexander did not include small firms in his sample,

so his conclusions were based on survey responses from medium-sized and large firms; (2) Alexander's study did not systematically control for the differential effects of interindustry differences, governmental factors, or market conditions, as suggested by Kudla (1980) and Beard and Dess (1979). By confining our study to small banks, we controlled for the effects of industry type, government influences, and market conditions.

The results of this study also support the findings of Robinson and Pearce (1983) as well as previous policy research on the planning-performance relationship. While most studies used financial performance measures as criteria, this study used implementation-success measures for comparison of the two groups. We found no difference between formal and nonformal planners among small banks with respect to 13 of the 15 potential implementation problems. However, there was a significant difference between them with respect to the problems of "advocates' having left the firm" and "responsibilities not

being clearly defined." Formal planners handled these two problems better, but in distinguishing high-success from low-success banks (H_2), these two problems were not significant. Therefore, we conclude that they are not that important to the overall picture of success. In general, our results suggest that managers of small firms do not appear to benefit greatly from a highly formalized planning process.

Research Limitations

Self-reported data presents an opportunity for the incursion of intervening variables, which is a limitation of field studies such as ours. There is also the problem of historical bias due to dependence on the memories of the bank president respondents. A further limitation may be evident because the number of nonformal planners was low; obviously, it would have been better if the numbers of formal and nonformal planners were comparable. Additionally, the possibility that one problem may have caused another would produce multicollinearity, thereby imposing a limitation in this research. For instance, "inadequate training and instruction of employees" may lead to "insufficient capabilities of the involved employees," which may then lead to "more time needed than originally planned." The research did not test for the independence of these problems; therefore multicollinearity could have resulted. Another limitation may be the fact that small banks differ from large firms in their problem-solving capabilities. Large firms, because of their size and resources, may be able to better train and support implementation teams, which would allow them to manage or prevent large numbers of problems effectively. Finally, the fact that responses to our questionnaires were requested by the Commissioner of Banks for North Carolina may have led some

bank presidents to be less open in their reporting.

SUGGESTIONS FOR FUTURE RESEARCH

While formal planning, as shown by this research, does not account for any portion of the implementation success experienced by small banks, additional investigation is needed in order to determine what variables or interactions might affect the implementation process. A number of dimensions reflected in the size variable, for instance, may be of more or less importance in the implementation process and performance relationships. For example, power distribution within the organization, ownership patterns, complexity of information-processing systems, and the technological complexity of products or services could all significantly influence the strategic-decision implementation process.

The issue of easy goals improving the probability of success is pertinent here. In future research some attention should be given to assessing correlations between the difficulty of goals and their probability of being achieved.

Future studies should also attempt to improve upon the measurement techniques used in this study. For instance, some objective measures may serve as reasonable surrogates for small firm presidents' perceptions of implementation and performance.

Further research is also needed to help clarify the meaning of "strategic" versus "tactical" planning, and finally, a more concise definition of "small business" might be useful.

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