The Emerald Research Register for this journal is available at
www.emeraldinsight.com/researchregister

The current issue and full text archive of this journal is available at
www.emeraldinsight.com/0262-1711.htm

Received December 2003
Revised February 2004
Accepted February 2004

The role of strategic planning in the performance of small, professional service firms

A research note

Steven J. French
School of Commerce and Management, Southern Cross University, Coffs Harbour, Australia, and
Stephen J. Kelly and Jennifer L. Harrison
School of Commerce and Management, Southern Cross University, Tweeds Heads, Australia

Keywords *Strategic planning, Professional services, Australia, Small to medium-sized enterprises*

Abstract *Using a sample of small, regional professional service firms, this paper investigates relationships between firm performance and aspects of strategic planning. Constructs measuring vision, mission, latent abilities, competitor orientation and market orientation are identified using exploratory factor analysis and respondents categorised as non-planners, informal planners, formal planners and sophisticated planners. Multiple performance measures were used to assess the relationship between these factors and categories and firm performance. While no significant relationship between the performance measures and factors is identified, a significant relationship between net profit and informal planning emerges. These mixed results bring into question the value of the classical strategic planning process as a means of achieving a sustainable competitive advantage in the market analysed.*

Introduction

Vision and mission are frequently discussed in academic and practitioner literature and widely accepted (although not universally) as key variables in the formation of strategic and operational plans and construction of cohesive organizational cultures. However, when the literature is examined in detail, there is little evidence of empirical research that has sought to critically evaluate these constructs and their impact on firm performance, particularly within the sphere of small business research. Yet, strategic planning, including the assessment of its value, remains an important and relevant research topic for those interested in organizational and management development. This relevance is evidenced by a recent paper (Delmar and Shane, 2003) in the *Strategic Management Journal*, which explored the value of business planning in the development of new ventures and illustrated that many questions about strategic planning remain unanswered. Ongunmokun (1996, p. 203) has also argued that:

> ... despite the high level of continuing interest in strategic planning, very little research has been done into the actual planning practices of small business organisations. Most of the research undertaken to date in relation to small business has been either case studies or surveys directed towards identifying the value of planning and investigating the presence or absence of formal planning in small businesses. There is little or no empirical research showing the principal activities that comprise the planning practices of a selected group of small businesses that plan.

Journal of Management Development
Vol. 23 No. 8, 2004
pp. 765-776
© Emerald Group Publishing Limited
0262-1711
DOI 10.1108/02621710410549611

This paper addresses some of these issues by creating empirical measures of vision and mission as well as market orientation, competitor orientation and latent abilities, constructs frequently associated with the effective formulation and implementation of strategic plans. The paper subsequently categorises firms on the basis of their planning activities and assesses relationships with firm performance. A sample of regional professional service firms, including finance and accounting, legal service and management consulting firms, form the basis of the empirical study.

Literature review

The need for formal planning

Calls for improved and more extensive planning in the small firm sector are frequently cited in the literature. For example, Osbourne (1995) argued that the entrepreneur must first identify an opportunity and then create a marketing and financial plan to capitalise on the idea. Control over the requisite resources must then be gained and an appropriate structure established. Osbourne (1995) also maintained that only about one-third of start-up entrepreneurs create comprehensive marketing and financial plans, those who do so increase the probability of venture success.

Herter (1995) agreed that every business, regardless of size, needs an effective, comprehensive business plan because the process of developing the plan forces the entrepreneur to think about the harsh "reality" of the business world, rather than the more common dream world. He believed that this is a necessary first step toward success and that it should have a well-defined format and parts. It should answer age-old questions such as where are you now, where do you want to be, and, most importantly, how are you going to get there? These are the same fundamental questions that were also postulated by Andrews (1971).

Clayton (1996) took the requirement for strategic business planning in the small business sector even further with his belief that the lack of a strategic business plan in small businesses leads to outdated management practices, including an autocratic style of management practiced by the managing director or the proprietor. Business decision making is affected because no one other than the managing director or proprietor can make a decision because other people in the firm do not know where the business is going or how it is going to get there. Consequently, the potential ability of human resources within the firm is undermined and underutilised.

In contrast to calls for improved and more extensive planning, the empirical evidence offers discord.

Empirical studies of strategic planning in small firms

Traditionally, it has been assumed that small businesses should use the same management techniques as their larger counterparts (Welsh and White, 1981). However, research carried out on the relative effects of planning on the sales and profit performance of small businesses have shown both positive relationships between the planning function and sales/profits (Ackelsburg and Arlow, 1985; Bracker and Pearson, 1986; Jones, 1982; Schwenk and Shrader, 1993) and no relationship between the use of planning activities by small business owner/managers and performance (Gable and Topol, 1987; Robinson and Pearce, 1983; Robinson *et al.*, 1986; Sexton and van Auken, 1985).

There are, however, a range of issues that may confound interpretation of these results. These include whether the study differentiates between strategic and operational planning, whether short- or long-term performance is investigated and the degree of planning sophistication evident. Each of these issues are addressed briefly.

Strategic versus operational planning
Viljoen (1994) suggested that, in the business paradigm, strategy is a term that is often used but seldom fully understood. It is often used to make a statement that seem more important or provide a decision with more weight or credibility; consequently, "strategic selling" replaces "effective techniques for the salesperson" and "manpower strategy" is used in preference to "personal development plan". Equally, Giles (1991) maintained that management jargon has subverted the meaning of strategy by confusing it with objectives or tactics, with Hatton and Bruce (1994) stating that although the concept of strategy is central to the field of management, a common definition has eluded researchers. Hence, with this level of confusion, it is evident that a number of studies are offering disparate definitions or ignoring differences. Exceptions do exist in the literature however.

Shrader *et al.* (1989) studied the planning/performance relationship in 97 small firms in central Iowa, USA, dividing planning into strategic (long-term) planning and operational (short-term) planning. They concluded that planning and performance were related in important and complex ways. Operational planning was more common and useful to small firms, but there were some positive correlations between strategic planning and performance. Because so few small firms undertake strategic planning they felt that there was a possibility that small firms were missing out on potential advantage.

Robinson *et al.* (1986) also looked at operational versus strategic planning concentrating on the small retail sector. They concluded that firms high in strategic and operational planning did not outperform firms that were without strategic planning, but were high in operational planning. However, they noted that, while managers overwhelmingly accorded greater importance to operational planning than strategic planning, more than 85 per cent of the sample did not undertake strategic planning, rather, strategic decisions had to be made at crucial times. These crucial times were referred to as "strategic windows" and once a strategic window is closed, day-to-day performance until the opening of the next window is primarily driven by operational planning.

Kelmer and Noy (1990) sought to determine whether strategic planning activities were being undertaken in a study of 94 small businesses in the Perth metropolitan region. They felt that a firm could be considered a strategic planner if it performed at least one of the activities in their list of strategic activities at least every two years. They included financial analysis as the most common strategic activity, performed by 89.4 per cent of respondents. However, the literature would suggest that this is a financial planning rather than strategic planning activity. The authors acknowledge this in their conclusions, stating that the prevalence of financial analysis could be due to the availability of financial data from the firm's accountant. They concluded that most firms were seen to perform strategic activities on an *ad hoc* basis, with little evidence of formal written plans from which to analyse the results of performance. This raised the question as to whether the firms actually performed the strategic activities or simply thought they performed them.

Lowe and Clemens (1990) also examined strategic effort and strategic process across a variety of small firms in various industries Australia-wide. They came to the conclusion that Australian small firms are less involved in strategising than comparable American firms and that strategy levels are highest in the service sector where education levels are higher.

In a further Australian study of strategic planning in small enterprises in Queensland, Glen and Weerawardena (1996) claim that there is an absence of theory or a consistent body of knowledge pertaining to small firm strategic planning. They came to the conclusion that the majority of small firms do not engage in strategic planning.

Short-term versus long-term performance

While, theoretically, strategic planning may be considered to have a greater impact on medium- to long-term performance, there is little evidence of research that has sought to ascertain the cumulative impact of strategic or operational planning. Rhyne (1986) looked at 89 companies in a study focused on the long-term performance of firms. He found that firms with planning systems built around a strategic perspective exhibited superior long-term financial performance, relative to their industry and in absolute terms. Ten-year total returns to investors increased with the sophistication of the strategic process and strategic planning provided a statistically significant improvement in return over other planning methodologies.

Planning sophistication

Bracker *et al.* (1988) examined planning process sophistication and found that firms employing structured strategic planning procedures outperformed all other firms. They concluded that one of the most important aspects of planning was the level of sophistication applied to the planning process and that it was the quality of the planning and not the time spent on planning that was the most important determinant of financial performance. This finding concurred with the earlier work of Bracker and Pearson (1986) who determined that many small firm owners believe that they have a sophisticated planning process, when at best their processes are rudimentary.

Robinson and Pearce (1983) also maintained that it is the process of providing written documentation that determines the level of formality. Lyles *et al.* (1993) then built Robinson and Pearce's concepts of formality into their model of planning sophistication and came to the conclusion that it is the process of planning not the plan itself that is important. Small businesses that adopted a more formal planning process will place greater emphasis on the quality of the strategic decision-making process.

In consideration of these issues the researchers ensured that differentiation between strategic and operational planing was maintained, sought to overcome issues associated with differentials between short- and long-term performance by seeking historical and projected performance figures and assessed the level of planning sophistication by categorising firms as non-planners, informal planners, formal planners and sophisticated planners on the basis of their activities and the ways in which strategic plans were operationalised.

Data collection

Data were collected using self-administered questionnaires returned from a mail survey of small regional professional firms in New South Wales, Australia. The instrument was reviewed by professional practitioners to ensure that language and content were consistent with current professional practice. A pre-test using a sample of eight professional practices in Coffs Harbour was undertaken to confirm the clarity of the questions.

The selection of professional service firms as a category followed the logic employed by Satow (1975), who added to Weber's (1964) three types of authority and classified professional organisations as value-rational organisations. These are a distinct group or organisations where there is a "... tendency toward a horizontal rather than vertical pattern of authority, a decentralised distribution of power, and an emphasis on colleague control" (Hall, 1968, cited in Satow, 1975, p. 5).

A population of approximately 1,700 regional[1] professional firms was identified using a commercial database. Questionnaires, along with a covering letter addressed to the managing partner or owner/manager, explaining the research and a pre-addressed, reply-paid envelope, were posted to a random sample of 936 firms. To improve response, no identification marks or codes that would enable the respondents to be identified were included. As a further inducement, an offer to make the results available was made. A cut-off date was used to encourage a more complete and speedy response.

A total of 127 questionnaires were returned by the post office and indicated that the addressee was not present at the address nominated and 81 surveys were completed and returned by the cut-off date. A further 48 completed questionnaires were received after this date and prior to the commencement of data analysis and 11 questionnaires were excluded during data assembly as being incomplete. A further 27 questionnaires were received after a follow-up process[2]. The survey response rate was 19.3 per cent, with a final usable response rate of 17.9 per cent. Chi-square and Mann Whitney U tests were used to check for late response bias on all relevant variables. Respondents returning questionnaires after follow-up were compared to all other respondents, with the assumption being that later respondents are similar to non-respondents (Armstrong and Overton, 1977). No differences were detected, thus providing no evidence of non-response bias.

Measures

The final questionnaire contained 20 questions related to the strategic planning process. Responses to each question were measured on a seven-point numerical scale with 1 = "Not at all" and 7 = "Extremely".

A number of additional questions were used to group respondents into strategic planning categories. Four dichotomous response questions assessed whether the firm had a strategic plan, whether that plan was written down, whether the plan was used to develop other operational plans and whether the plan was used to drive the day-to-day operations of the business. Three further questions, utilising seven-point numerical scales with 1 = "Not at all" and 7 = "Extremely", assessed satisfaction with the content of the strategic plan, how well the process of integrating the strategic plan with other plans had been completed and how well the process of driving the business from the plan had been managed. Based on responses to these questions, respondents were classified into one of four strategic planning categories: non-planners, informal planners, formal planners and sophisticated planners. Table I defines each of these categories.

In part, this classification scheme follows the logic employed by Goodman (1973), in which organisations were classified on the basis of their time horizon and their depth of knowledge regarding their environment. In essence, Goodman (1973, pp. 221-2) identified four types of firms that he labelled naïve – organisations which were not knowledgeable about either the short run or long run and which failed to plan; idealistic – organisations not knowledgeable of the present but fairly knowledgeable of the long run; professional/technical – organisations richly knowledgeable about the short run environment, but not the long run; and professional/sophisticated – organisations rich in knowledge of the present and the future and that use sophisticated planning tools and techniques. Classification related to the presence of a written document, reflecting formality, draws on the work of Robinson and Pearce (1983).

Strategic planning category	Definition
Non-planners	Respondents with no strategic plan
Informal planners	Respondents with a strategic plan that is not written down
Formal planners	Respondents with a written strategic plan, but lacking one or more of the elements defining a sophisticated planner (see definition below)
Sophisticated planners	Respondents with a written strategic plan that is used to develop operational business plans and drive day-to-day operations. In addition, respondents had scores greater than 4 on each of three numerical scales; that is, respondents were satisfied with the content of the strategic plan, had integrated the strategic plan with other plans and had managed the process of driving the business from the plan

Source: Developed for this study

Table I.
Definitions of strategic planning categories

The difficulty of obtaining financial data from small firms has been well documented and discussed (Dess and Robinson, 1984). In the absence of publicly available data and given the suggested reluctance of small firm owner managers to provide absolute performance data (Gable and Topal, 1987; Arlow and Ackelsberg, 1991), in this study respondents were asked to provide growth data for four years for both sales and net profit after tax using an index with 1993/1994 as the base year. In addition, using the same index, respondents were asked to provide forecasts for five years into the future. The variables used in analysis were calculated for each respondent as the mean actual sales growth, mean actual net profit growth, mean forecast sales growth and mean forecast net profit growth.

Results

Sample description

Of the 145 usable responses, 101 (69.7 per cent) were from finance and accounting firms, 30 (20.7 per cent) from legal services firms and 14 (9.7 per cent) from management consulting firms. Sample firms were generally small, as measured by employee numbers, with 38 per cent having one or two full-time equivalent employees, 32.4 per cent with three to five, 15.2 per cent with six to ten, 9 per cent with between 11 and 20, and 5.5 per cent with more than 20 full-time equivalent employees. Clearly, the small regional professional firms in the study are very small by the Australian definition of small service firms; that is, those with less than 20 employees (Australian Bureau of Statistics, 2001). The sample supports the view of Houghton and Bastion (1997) that it is not commonly appreciated how many small firms are very small.

Of the sampled firms, 68 per cent maintained that their firm had a mission, but only 35 per cent had written the mission down.

Factor analysis

Exploratory factor analysis was used to identify constructs that underlie elements of strategic planning. The Kaiser-Meyer-Olkin measure of sampling adequacy for the set of 20 items was 0.82. Factor analysis was performed using the principal components method. Five factors were identified with an eigenvalue greater than one and examination of the scree plot reinforced this structure. The five factors explained 67.25 per cent of variance. Orthogonal and oblique rotations produced essentially the same solution, providing support for the stability of the result (Nunnally and Bernstein, 1994; Stewart, 1981). Given that most correlations between the obliquely rotated factors were below 0.3 and for reasons of simplified interpretation in later statistical analyses (Tabachnick and Fidell, 1996), an orthoganally rotated solution was chosen. The factor loadings are shown in Table II. The table also includes Cronbach alpha coefficients, calculated using items loading on each factor at greater than 0.45, which indicate satisfactory reliability.

Factors were interpreted as follows. Factor 1 consisted of variables relating to the mission of the firm and to whether the firm had a sense of core values that were

Question	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
How well is the mission communicated to the staff?	*0.903*	0.215	0.090	0.140	0.092
How satisfied are you with the content of the mission?	*0.852*	0.099	0.095	0.249	0.127
How well is the mission communicated to customers?	*0.777*	0.228	0.111	0.209	0.023
How important do you believe it is to have a mission for your firm?	*0.725*	−0.036	0.054	0.406	−0.045
How clearly are your core values articulated to your employees?	*0.671*	0.271	0.232	−0.100	0.061
How strongly do the core values influence the behaviour of the employees?	*0.553*	0.230	0.301	−0.186	0.337
How clearly do you know where you want the business to be in one year?	0.266	*0.841*	0.036	0.224	0.088
How clearly do you know where you want the business to be in five years?	0.136	*0.819*	0.046	0.260	0.072
How well do you understand the nature of change in your industry?	0.172	*0.651*	0.327	0.053	0.186
How well do you understand the needs of your customers?	0.154	*0.594*	0.358	−0.054	0.173
How creative a person do you consider yourself to be?	0.154	0.059	*0.863*	0.191	0.078
How imaginative a person do you consider yourself to be?	0.141	0.211	*0.854*	0.189	0.073
Based on historical results, are you a good predictor of future change?	0.195	0.440	*0.529*	−0.048	0.188
Are you interested in the needs of your customers?	0.189	0.379	*0.456*	0.360	0.190
How rapidly is your industry changing?	0.137	0.241	0.195	*0.712*	0.013
How rapidly are the needs of your customers changing?	0.234	0.212	0.274	*0.642*	0.040
How important to you is it that your company grows?	0.108	0.037	−0.041	*0.565*	0.157
Are you interested in the activities of your competitors?	0.019	0.090	0.152	*0.550*	0.535
How well do you understand the strategies of your competitors?	0.151	0.187	0.019	0.071	*0.858*
How well do you know the characteristics of your competitors?	0.045	0.243	0.214	0.200	*0.710*
Cronbach's alpha	*0.89*	*0.82*	*0.80*	*0.64*	*0.70*

Table II. Factor loadings: principal components extraction with Varimax rotation important. The factor was called "mission". Factor 2 consisted of variables related to change, the future and an understanding of the customer. The factor was called "vision". Factor 3 consisted of variables related to personal characteristics. The factor was called "latent abilities". Factor 4 consisted of variables related to growth and change in the market place. The factor was called "market orientation". Factor 5 consisted of variables related to competition. The factor was called "competitor orientation".

Factor scores were computed using the regression method (Nunnally and Bernstein, 1994). Resultant factor scores for each of the five factors formed the variables used in all further analyses.

Relationships between strategic planning factors and performance

Standard multiple regression was used to examine relationships between factors and each performance variable. The regressions were performed with and without a number of outlying cases, but conclusions remained the same. None of the regressions were significant, indicating that none of the five factors related to vision and mission were associated with average sales growth, average net profit growth or forecasts of these performance measures. Indeed, none of the regressions were even close to significant. Table III summarises the results of the regressions including outlying cases.

Performance of strategic planning groups

One-way analysis of variance (ANOVA) was used to determine if the four strategic planning groups differed in terms of performance. Where the F-test indicated a significant difference between groups, *post-hoc* analysis was conducted utilising the Bonferroni method of multiple comparisons. Several cases were excluded from the analysis due to their extremely high reported growth. Examination of these cases, most of whom were also the outliers discovered in the regressions reported above, indicated that they were young micro firms that had experienced significant early growth from an extremely small base.

Table IV summarises the ANOVA results. The only significant differences between the strategic planning groups were on average actual growth in net profit after tax. For this performance measure, the informal planners had significantly higher growth than non-planners. Although not statistically significant for other performance measures, it may be noted that this pattern appears throughout the sample data. For all performance measures, the informal planner group in this sample outperforms the non-planner group.

Discussion

The reported results are discussed within the context of the research objective (which was to investigate relationships between firm performance and strategic planning), sample characteristics and with due regard given to limitations. We first consider the

Table III. Results of regressing the five factors against each performance measure

Dependent variable	R^2	F-value	df	p-value
Historical sales growth	0.015	0.362	5,116	0.874
Forecast sales growth	0.044	1.039	5,113	0.398
Historical growth in net profit after tax	0.033	0.767	5,111	0.576
Forecast growth in net profit after tax	0.049	1.109	5,108	0.360

	Non-planners	Informal planners	Formal planners	Sophisticated planners
Historical sales growth				
n	52	34	25	15
Mean	109.1	116.5	113.6	115.6
Std. Dev.	20.9	21.2	31.3	19.0
F (3, 122) = 0.826; $p = 0.482$				
Forecast sales growth				
n	50	33	24	14
Mean	153.9	178.8	178.3	184.1
Std. Dev.	74.0	92.5	84.7	76.6
F (3, 117) = 0.992; $p = 0.399$				
Historical growth in net profit after tax				
n	51	34	24	15
Mean	100.23	118.75	106.28	123.69
Std. Dev.	28.18	33.62	30.08	33.58
F (3, 120) = 3.720; $p = 0.013$				
Bonferroni *post-hoc* tests: informal planners > non-planners				
Forecast growth in net profit after tax				
n	49	33	23	15
Mean	143.3	190.2	167.4	190.3
Std. Dev.	89.3	144.0	80.2	111.3
F (3, 116) = 1.516; $p = 0.214$				

Table IV. Performance differences between planning groups

results of the factor analysis, before reported relationships between the performance measures, the identified factors and the planning categories are reviewed.

Factors

Using as a theoretical base the classical strategic planning process as described by Ginter *et al.* (1985), a series of questions were devised that sought to empirically measure vision and mission and associated constructs. The results indicate stable constructs that are conceptually valid.

This outcome in itself is worthwhile given the paucity of empirically defined strategic planning elements. The identified constructs offer researchers the opportunity to undertake empirical validation of these measures and potentially refine and improve on them.

However, while what was identified is both conceptually valid and a source for future refinement, it was the lack of a construct measuring customer orientation that surprised the researchers. The reasoning for this omission could well relate to the validity of the instrument and should not be ignored in future research. This view is further supported by the findings, with two of the items relating to customers derived by the factor analysis loading relatively highly on more than one construct. Those items were "How well do you understand the needs of your customers?", which loaded on Factor 2 "Vision" at 0.594 and "interest in the needs of customers", which loaded on Factor 3 "Latent abilities" at 0.456.

Performance relationships

No relationship was found between any of the factors (vision, mission, latent abilities, competitor orientation and market orientation) and the performance indices used, a result at odds with much contemporary "wisdom" surrounding business performance.

In seeking to understand this outcome a great deal of consideration has been given to the characteristics of the individuals, firms and markets represented in the sample.

While no definitive conclusion can be arrived at, it is suggested that the relative stability of the markets in which the sampled firms operate, the small size of the majority firms in the sample and the personalised nature of the service relationship between the firms surveyed and their clients, all impact on the influence of these factors. That is, the result may very well be sample specific. This issue needs to be considered by researchers seeking to replicate this study or undertake similar analysis.

Support for this proposition comes from Goodman (1973), who, using the Emory and Trist (1965) taxonomy, identified four types of environment. These included the placid/randomized, placid/clustered, disturbed/reactive and the turbulent field. Of these, the placid/randomized environment was identified as one in which the "… goals and noxiants ("goods and bads"), are relatively unchanging in themselves and randomly distributed" (p. 222). In this environment, Goodman argued that "no matter which way you go, what strategy you try, you are equally liable to succeed or fail" (p. 222).

With regard to the Mission factor, in particular, it is noteworthy that finding no relationship with performance indirectly supports and extends the recent work of O'Gorman and Doran (1999). These researchers found no evidence for the proposition that high-growth small and medium enterprises (SMEs) have more comprehensive mission statements than low-growth SMEs. From their results, O'Gorman and Doran (1999, p. 65) draw the conclusion that "management time spent developing a mission statement could be better spent on the management of the business". The present research supports this conclusion and suggests that it extends also to aspects related to mission statement communication.

Conversely, when one examines the planning activities of firms in the study, a significant relationship between one of the performance indices (historical growth in net profit) and informal planning is apparent. Additionally, an assessment of the mean performance results for all indices indicates that planners (be they informal, formal or sophisticated) perform, or expect to perform, better, while assessment of historical net profit performance indicates that even though only the informal planning group is significantly different from non-planners, the reported mean performance of sophisticated planners is higher than that reported by informal planners (118 versus 123).

It must be noted here, however, that there is no intention to suggest that the higher mean performance figures for planners versus non-planners, except in instances where significant differences are noted, indicates that a relationship exists. To do so would be to ignore the findings derived from the analysis. Rather, these outcomes are noted because they may provide direction to other researchers investigating similar relationships. Specifically, it is suggested that the number of respondents in each planning category needs to be increased so that a more comprehensive powerful between-group analysis can be undertaken.

Conclusion

The mixed results of this analysis provide researchers and practitioners with as many questions as answers and needs to be considered within the context of the sample and in conjunction with other research undertaken in the field. Generally, the results do indicate that there is a link between planning and performance; however, it is apparent that the link is not strong. Additionally, it brings into question the value of elements of the classical strategic planning process for small firms; namely, vision and mission, and associated constructs that have been suggested to underpin the strategic planning process (latent abilities, competitor orientation and market orientation).

Perhaps the research can be best summarised by revisiting Lyles *et al.* (1993), who came to the conclusion that it is the process of planning not the plan itself that is important. Or, as Herter (1995) stated, through the process of planning, informally or formally, firms remove themselves from the "dream world" and into the "real world".

Notes

1. All metropolitan postcodes from the Sydney, Wollongong and Newcastle regions were excluded.
2. The telephone follow-up involved contacting 150 randomly selected firms from the sample and indicated that the close proximity of the receipt of the questionnaire to the financial year end meant that, as professional firms were under considerable workload pressure, allocation of time to the completion of the questionnaire was a very low priority.

References

Ackelsburg, R. and Arlow, P. (1985), "Small businesses do plan and it pays off", *Long Range Planning*, Vol. 8 No. 5, pp. 61-7.

Andrews, K.R. (1971), *The Concept of Corporate Strategy*, Dow Jones-Irwin, Homewood, IL.

Arlow, P. and Ackelsberg, R. (1991), "A small firm planning survey: business goals, social responsibility, and financial performance", *ABER*, Vol. 22 No. 2, pp. 161-72.

Armstrong, J.S. and Overton, T.S. (1977), "Estimating non-response bias in mail surveys", *Journal of Marketing Research*, Vol. 14, pp. 396-402.

Australian Bureau of Statistics (2001), *Small Business in Australia*, Cat. No. 1321.0, AGPS, Canberra.

Bracker, J.S. and Pearson, J.N. (1986), "Planning and financial performance of small, mature firms", *Strategic Management Journal*, Vol. 53 No. 7, pp. 503-22.

Bracker, J.S., Keats, B.W. and Pearson, J.N. (1988), "Planning and financial performance among small firms in a growth industry", *Strategic Management Journal*, Vol. 55 No. 9, pp. 591-603.

Clayton, T. (1996), "Long-term planning: a must", *New Zealand Manufacturer*, Vol. 15, pp. 5-10.

Delmar, F. and Shane, S. (2003), "Does business planning facilitate the development of new ventures?", *Strategic Management Journal*, Vol. 24, pp. 1165-85.

Dess, G.G. and Robinson, R.B. (1984), "Measuring organisational performance in the absence of objective measures: the case of the privately held firm and conglomerate business units", *Strategic Management Journal*, Vol. 55 No. 10, pp. 14-24.

Emory, F.E. and Trist, E.L. (1965), "The causal texture of organisational environments", *Human Relations*, Vol. 18, pp. 21-33.

Gable, M. and Topol, M.T. (1987), "Planning practices of small-scale retailers", *American Journal of Small Business*, Vol. 12 No. 2, pp. 19-32.

Giles, W.D. (1991), "Making strategy work", *Long Range Planning*, Vol. 24 No. 5, pp. 75-91.

Ginter, P.M., Rucks, C. and Duncan, W.J. (1985), "Planners' perceptions of the strategic management process", *Journal of Management Studies*, Vol. XXII, pp. 581-96.

Glen, W. and Weerawardena, J. (1996), "Strategic planning practices in small enterprises in Queensland", *Small Enterprise Research*, Vol. 4 No. 3, pp. 5-16.

Goodman, R.A. (1973), "Environmental knowledge and organizational time horizon: some functions and dysfunctions", *Human Relations*, Vol. 26 No. 2, pp. 215-26.

Hatton, L. and Bruce, R. (1994), "Developing small business effectiveness in the context of congruence", *Journal of Small Business Management*, Vol. 32 No. 3, pp. 76-89.

Herter, G. (1995), "Business planning boosts your chances", *Accounting Technology*, Vol. 11 No. 4, pp. 20-30.

Houghton, K. and Bastion, R. (1997), "Building the employment base: small business issues in regional Australia", *Proceedings of the Small Enterprise Association of Australia and New Zealand Annual Conference*, Perth, pp. 43-63.

Jones, W.D. (1982), "Characteristics of planning in small firms", *Journal of Small Business Management*, January, pp. 28-33.

Kelmer, J.H. and Noy, S. (1990), "Perceptual differences in small business strategic planning", *The Growing Small Business, Proceedings of the 5th National Small Business Conference*, Toowoomba, pp. 367-80.

Lowe, J. and Clemens, T. (1990), "Strategy planning and the smaller firm in Australia", *The Growing Small Business, Proceedings of the 5th National Small Business Conference*, Toowoomba, pp. 13-22.

Lyles, M.A., Baird, I.S., Orris, J.B. and Kuratko, D.F. (1993), "Formalized planning in small business: increasing strategic choices", *Journal of Small Business Management*, Vol. 31 No. 2, pp. 38-50.

Nunnally, J.C. and Bernstein, I.H. (1994), *Psychometric Theory*, 3rd ed., McGraw-Hill, New York, NY.

O'Gorman, C. and Doran, R. (1999), "Mission statements in small and medium-sized businesses", *Journal of Small Business Management*, Vol. 37 No. 4, pp. 59-66.

Ogunmokun, G. (1996), "Planning in Australian small business organizations", *Proceedings of the Joint SEAANZ and IIE Small Enterprise Conference*, Newcastle, pp. 199-214.

Osbourne, R.L. (1995), "The essence of entrepreneurial success", *Management Decision*, Vol. 33 No. 7, pp. 4-9.

Rhyne, L.C. (1986), "The relationship of strategic planning to financial performance", *Strategic Management Journal*, Vol. 7, pp. 423-36.

Robinson, R.B. and Pearce, J.A. (1983), "The impact of formalized strategic planning on financial performance in small firms", *Strategic Management Journal*, Vol. 4, pp. 197-207.

Robinson, R.B., Logan, J.E. and Salem, M.Y. (1986), "Strategic versus operational planning in small retail firms", *American Journal of Small Business*, Vol. 10 No. 3, pp. 7-16.

Satow, R.L. (1975), "Value-rational authority and professional organizations: Weber's missing type", *Administrative Science Quarterly*, Vol. 20, pp. 1-6.

Schwenk, C.R. and Shrader, C.B. (1993), "Effects of formal strategic planning on financial performance in small firms: a meta-analysis", *Entrepreneurship Theory & Practice*, Vol. 17 No. 3, pp. 53-64.

Sexton, D.L. and van Auken, P.M. (1985), "A longitudinal study of small business strategic planning", *Journal of Small Business Management*, January, pp. 7-15.

Shrader, C.B., Mulford, C.L. and Blackburn, V.L. (1989), "Strategic and operational planning, uncertainty, and performance in small firms", *Journal of Small Business Management*, Vol. 27 No. 4, pp. 45-60.

Stewart, D.W. (1981), "The application and misapplication of factor analysis in marketing research", *Journal of Marketing Research*, Vol. 18, pp. 51-62.

Tabachnick, B.G. and Fidell, L.S. (1996), *Using Multivariate Statistics*, 3rd ed., HarperCollins, New York, NY.

Viljoen, J. (1994), *Strategic Management: Planning and Implementing Successful Corporate Strategies*, Longman, Melbourne.

Weber, M. (1964), *The Theory of Social and Economic Organization*, The Free Press, New York, NY.

Welsh, J.A. and White, J.F. (1981), "A small business is not a little big business", *Harvard Business Review*, July-August, pp. 18-32.