STRATEGIC PLANNING SYSTEM CHARACTERISTICS AND ORGANISATIONAL EFFECTIVENESS IN AUSTRALIAN SMALL-SCALE FIRMS

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Background

In this study, the correlation between strategic planning and organisational effectiveness is examined in the context of Australian small-scale business, focusing on organisations in the disability sector, which tend to fall into the small business (albeit 'not-for-profit') category, but a sector that hitherto has not been studied with this focus.

The disability sector covers a diverse range of organisations that provide a comprehensive range of business and other services in meeting their obligations towards people with a disability. Examples of such organisations include:

- Supported employment or small business services
- Sheltered workshops and vocationally-focussed Activity Therapy Centres and training services
- Open labour market support services
- Advocacy services
- Print disability services
- Accommodation support services
- Respite services
- Independent living training services
- Recreation services
- Other initiatives to improve the independence of people with a disability.

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The first three categories are the major employers in the sector, although many disability-based organisations provide a wide range of the above services in their organisational portfolio. This research encompasses the complete disability sector organisational population in Victoria and Tasmania (two of the eight States and/or Territories in Australia), and studies the relationship between strategic planning and organisational effectiveness – something not previously examined in the sector (Salamon, 1995, 1997; Stone, Bigelow and Crittenden, 1999; Weisbrod, 1998). The generic nature of the relationship itself has been of much interest and it is apparent that there has been a growing concern within the business and academic research community to discover better ways of assessing both constructs (Chow, Ganulin, Haddad and Williamson, 1998). However, measuring the effectiveness of not-for-profit organisations has not generally received much attention in the literature (Kohl, 1984; Wortman, 1988), and continues to be problematical (Herman, 1990; Herman and Renz, 1998).

Measuring effectiveness is difficult in almost all contexts, but in the disability sector is an even more complicated issue than in conventional organisations, due to its service and not-for-profit nature. There are conventional financial and other effectiveness measures relating to small business present, but of necessity there is a need to seek other more intangible measures of effectiveness, including those relating to employing staff with a disability. Staff satisfaction, objective fulfilment and life interests are also of particular interest. Any valid model of organisational performance for this sector (and small-scale business research generally – see Frese, van Gelderen and Ombach, 2000) must therefore be multidimensional – particularly with regard to the "less tangible" factors, but also having regard to the well established measures of system capability, system characteristics, degree of planning, financial performance, and goal attainment (see, for example, Brown and Laverick, 1994; Hoy and Miskel, 1987, 1996; McKiernan and Morris, 1994).

As far as strategic planning is concerned, although it is a key concept in management research, there has been little consistency in its conceptualisation or measurement (Boyd and Reuning-Elliott, 1998). Inattention to construct measurement is a major impediment to the advancement in the strategy field (Snow and Thomas, 1994), and limits the generalisability and comparability of research studies. Apart from this inconsistency of approach (Venkatraman and Grant, 1986), problems generally relate to an almost exclusive preoccupation with financial payoffs from planning (Kargar, 1996;

Ramanujam and Venkatraman, 1987a), and an inadequate treatment of the breadth of the planning construct that varies from unidimensional to multidimensional and from interval to ordinal categories (Boyd, 1991; Pearce, Freeman and Robinson, 1987). Also, most of the studies did not report tests of the reliability or validity of their measures, nor did they balance precision with parsimony (Boyd and Reuning-Elliott, 1998).

Empirical studies in small-scale firms have generally employed unidimensional measures such as the presence or absence of planning, or its degree of formality. These notions are inconsistent with the multidimensional nature of planning systems that is prevalent in the strategic planning literature (Kargar, 1996; Kukalis, 1991; Ramanujam and Venkatraman, 1987a; Rhyne, 1987; Veliyath and Shortell, 1993). This failure to distinguish the characteristics of the planning process associated with performance between one organisation and another has been seen to be responsible for some of the inconsistencies in small firm research (Armstrong, 1982). Although many strategic planning system characteristics have been presented in the literature, no consensus exists. For example, researchers have developed much too wide a range of indicators intended to reflect how closely a firm's planning activities adhere to those developed in the normative strategy literature; moreover, they have not indicated how formal or important those indicators are (Pearce, Freeman and Robinson, 1987).

Other studies have measured planning as skills and abilities. For example, Ramanujam and Venkatraman (1987b) proposed six dimensions of planning systems:

- Use of techniques
- Attention to internal facets
- Attention to external facets
- Functional coverage
- Resources provided for planning
- Resistance to planning.

In another later attempt to categorise strategic planning systems, Veliyath and Shortell (1993) identified five dimensions:

- Planning implementation
- Market research competence

- Key personnel involvement,
- Staff planning assistance
- Innovativeness of strategies.

However, these studies focused on large firms. But, in a still later (1996) study of small banks, Kargar modified Ramanujam and Venkatraman's (1987b) six dimension model, and used five strategic planning system characteristics:

- The degree of internal orientation of the system
- The degree of external orientation of the system
- The level of integration achieved within functional departments
- The extent of key personnel involvement in the planning process
- The extent of use of analytical techniques in addressing strategic issues.

This study will utilise a similar approach to show how the multidimensional process of effective strategic planning impacts on a range of organisational performance measures. It seeks to establish a base level of knowledge for disability sector firms, and to provide evidence of the benefits of strategic planning. The structure of the paper is as follows: first, there is a review of the literature; then follows the research methodology, incorporating a discussion of the design, sample and the reliability; next, the results are presented, before moving to discussion of the results; the article ends with some conclusions, including limitations and directions for future research.

Literature Review

The argument that strategic planning has a fundamental, positive impact on organisational performance has strong intuitive appeal, and has been empirically tested many times. A review of the relevant literature has identified 80 empirical studies. Overall, 49 (61%) of the studies identified a favourable link between strategic planning and performance, with a further 8% giving qualified support. Further, the prescriptive management literature strongly advocates strategic planning as a key to superior performance (Glaister and Falshaw, 1999). Taken together, the study results and the management literature would tend to suggest that there is broad support for the link.

This however is a tentative conclusion, since it is based on mixed evidence. Further, a closer analysis of the methodologies used suggests that a *caveat* needs to be entered when drawing such conclusions. A similar *caveat* has been registered in several reviews (Armstrong, 1982; Greenley, 1986, 1993, 1994; Kudla, 1980; Pearce et al., 1987; Rhyne, 1986; Shrader, Taylor and Dalton, 1984), the consensus of opinion being that the studies were confusing and difficult to reconcile.

The small business literature on the relationship between strategic planning and organisational effectiveness falls into two main categories. The first relates planning to improved profitability (Aram and Cowen, 1990; Hussey, 1982); and the second recognises that good planning is a key to success (Argenti, 1980; Branch, 1991; Brokaw, 1992; Hillidge, 1990; Knight, 1993).

Although small firm research has produced equivocal results (Byars, 1991; Schwenk and Shrader, 1993), planning has been shown to increase small firm success rates (Jones, 1982); affect financial performance (Baker, Adams and Davis, 1993; Bracker, Keats and Pearson, 1988; Peel and Bridge, 1998; Shrader, Mulford and Blackburn, 1989); influence the growth rate of sales (Lyles, Baird, Orris and Kuratko, 1993; Robinson *et al*., 1984; Rue and Ibrahim, 1998); enhance the achievement of organisational objectives (Peel and Bridge, 1998); and generally improve the level of firm performance (Bracker and Pearson, 1986; Schwenk and Shrader, 1993).

A meta-analysis of 18 small firm studies by Pearce *et al*. (1987) concluded that the empirical support for formal strategic planning as a means of improving performance was inconsistent and often contradictory. A more recent similar analysis reached much the same conclusions, but supported the notion that strategic planning is not just relevant for large firms (Schwenk and Shrader, 1993). Kargar (1996) supported this view, and found that system capability (and its component characterisitics) was the most important dimension in explaining organisational effectiveness. Thus, the first research hypothesis is:

> *H_1: That strategic planning has a positive relationship with organisational effectiveness in disability-based organisations.*

Since the early small firm studies of Thune and House 1970; Herold 1972; Robinson 1979 and 1982), researchers have taken a more contingent view in respect of the planning-performance relationship, and have begun to control for firm size, industry environment,

entrepreneurial/managerial characteristics, and environmental uncertainty. (Grinyer, Al-Bazzaz and Yasia-Ardekani, 1986; Shrader, Mulford and Blackburn, 1989).

So far as not-for-profit organisations are concerned, empirical studies linking strategic planning and organisational performance are few. Van de Ven (1980) found a positive relationship in a community child-care setting, and the Odom and Boxx (1988) study found a significant relationship between the growth rate of the churches studied and the level of planning sophistication. Not-for-profit US credit unions were examined by Jenster and Overstreet (1990), who concluded that formal planning results in superior performance along important growth dimensions. Whether planning leads to growth or growth stimulates the need for formal planning is unclear, because the studies did not examine causality.

Stone (1989) found organisational size (and corporate base) to be a significant predictor of the adoption of formal planning by nonprofits. The smaller the organisation, and the smaller the corporate base of the geographical region, the less the likelihood of the adoption of formal planning. Therefore, the second and third research hypotheses are:

H_2: That larger organisations will have stronger correlations with strategic planning.

H_3: That Tasmanian organisations will show a comparatively weaker correlation between strategic planning and organisational performance than their Victorian counterparts.

All the studies, including small business studies, have lacked any control of extraneous, independent variables that could have influenced performance, have ignored general economic conditions and government factors, and have not controlled for inter-industry differences (Beard and Dess, 1981; Kudla, 1980; Robinson and Pearce, 1983). Approaches to operationalising formality have also been overly simplistic (Leontiades and Tezel, 1980), focusing on "selected" aspects of the strategic planning process and defining planning as the formality or importance associated with those indicators (Pearce, Freeman and Robinson, 1987).

The operational hypothesis for the study is that there is a significant relationship between organisational strategic planning, system characteristics and organisational performance in disability-based organisations – as measured by multi-site, multi-method, multi-stakeholder data collected from such organisations.

Methodology

Design

This study attempts to overcome some of the methodological deficiencies in previous research by controlling for firm size and extraneous influences by limiting the population to a single industry, employing multiple performance measures, and using a clearly definable measure of planning formality and intensity. The study was carried out between May 1997 and June 1999. The full sample of 588 comprised the total population of Tasmanian and Victorian disability sector organisations, including their managers and staff. Consistent with all previous quantitative research on the constructs of strategic planning and organisational performance, the unit of analysis for this study was the organisation – because the ultimate dependent variable was organisational effectiveness – a property of the organisation. The final questionnaire was distributed by mail to all participants.

The numbers of respondents are as shown in **Tables 1** and **2** below. Completed questionnaires from a total of 137 organisations were returned by the final date set for data entry. This represented a 23.3% organisational return rate based on the estimated number of 588 agencies in Tasmania and Victoria.

TABLE 1. QUESTIONNAIRE RESPONSE RATES

	Victoria	**Tasmania**	**Totals**
Managers	216	35	251
Staff	535	46	581
Organisations	117 (From 515 or 23%)	20 (From 73 or 27%)	137 or 25 %

Completed questionnaires from a total of 251 managers were returned, giving a final return rate for managers of 16.7%, while completed questionnaires from a total of 581 staff were returned, giving a response rate for staff of 3.9%.

TABLE 2. OVERALL RESPONSE RATE OF MANAGERS BY SIZE OF ORGANISATION (MANAGERS [N=251], ORGANISATIONS [N=137])

No. of respondents from each organisation	Very Small (1-10) n=54 (39%)	Small (11-30) n=46 (34%)	Medium (31-100) n=22 (16%)	Large (>100) n=15 (11%)	Totals 137
1	39	18	10	7	74
2	11	15	3	2	31
3	4	9	4	4	21
4		3	3	2	8
5			2		2
6					Nil
7					Nil
8					Nil
9					Nil
10		1			1
	54 *100%*	45 *100%*	22 *100%*	15 *100%*	137 *100%*

Measures

The organisational effectiveness construct was measured with respondents self-assessing their organisations using five instruments. These instruments were Mott's (1972) index of organisational effectiveness (Cronbach alpha score of .9069 with individual factor loadings all above .50), Ramanujam *et al*'s (1986) index of objective fulfilment (Cronbach alpha score of .9332 with individual factor loadings all above .50), Miskel's (1982) index of job satisfaction (Cronbach alpha score of .5692 with individual factor loadings all above .50), Hoy and Miskel's (1987) index of central life interest (Cronbach alpha score of .6598 with individual factor loadings all above .50), and profitability. With the exception of profitability, all used a 5-point Likert scale from "Strongly Disagree" to "Strongly Agree" ("Poor" to "Very good" for Mott, 1972). Financial performance was measured by a questionnaire (profitability) item. This approach was consistent with Veliyath and Shortell (1993) and most other studies. The financial data was validated with a subset of

disability sector agencies for which accounting data was available as contained in the annual reports.

The strategic planning construct was measured with one instrument, that being Ramanujam and Venkatraman's (1987b) system capability approach to assessing organisational performance. The five dimensions of strategic planning systems – internal orientation, external orientation, functional coverage, use of planning techniques, and involvement of key personnel, were examined. Each dimension was measured using a 5-point Likert scale from "No emphasis" to "A great emphasis". The internal consistency of the index was assessed and judged using Cronbach's alpha (Cronbach, 1951; Van de Ven and Ferry, 1980). Factor scores were calculated for each of the planning system dimensions. The alpha scores for the overall index was .8253, and the individual factor loadings were all above .50 indicating that the factors measured states of strategic planning systems. These assessments provided adequate support for the reliability of the index.

Results

The overall results of the data analysis using Spearman's Rho correlation are shown in **Table 3** below.

TABLE 3. AGGREGATE CORRELATIONS (SPEARMAN) BETWEEN STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE (N=137)

Correlations

			Size	Location	Strategic planning	Internal orientation	External orientation	Functional integration	Use of techniques	Key personnel involvement	Organisation effectiveness	Objective fulfilment	Job satisfaction	Central life interests
Spearman's rho	Size	Correlation Coefficient	1.000	-.069	.150	-.014	.202*	-.030	.129	.207*	-.056	-.058	.264**	.018
		Sig. (2-tailed)	.	.425	.080	.872	.018	.729	.132	.015	.518	.500	.002	.831
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Location	Correlation Coefficient	-.069	1.000	-.034	-.032	-.009	.043	-.038	-.102	-.059	-.086	-.082	-.039
		Sig. (2-tailed)	.425	.	.696	.708	.915	.617	.657	.235	.491	.315	.339	.654
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Strategic planning	Correlation Coefficient	.150	-.034	1.000	.528**	.897**	.773**	.774**	.723**	.092	.274**	.117	.174*
		Sig. (2-tailed)	.080	.696	.	.000	.000	.000	.000	.000	.284	.001	.173	.042
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Internal orientation	Correlation Coefficient	-.014	-.032	.528**	1.000	.371**	.403**	.364**	.223**	.043	.099	.046	.066
		Sig. (2-tailed)	.872	.708	.000	.	.000	.000	.000	.009	.615	.249	.591	.446
		N	137	137	137	137	137	137	137	137	137	137	137	137
	External orientation	Correlation Coefficient	.202*	-.009	.897**	.371**	1.000	.608**	.588**	.572**	.058	.275**	.129	.229**
		Sig. (2-tailed)	.018	.915	.000	.000	.	.000	.000	.000	.500	.001	.132	.007
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Functional integration	Correlation Coefficient	-.030	.043	.773**	.403**	.608**	1.000	.577**	.487**	.106	.290**	.147	.109
		Sig. (2-tailed)	.729	.617	.000	.000	.000	.	.000	.000	.216	.001	.087	.204
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Use of techniques	Correlation Coefficient	.129	-.038	.774**	.364**	.588**	.577**	1.000	.430**	.049	.088	.096	.154
		Sig. (2-tailed)	.132	.657	.000	.000	.000	.000	.	.000	.566	.308	.262	.073
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Key personnel involvement	Correlation Coefficient	.207*	-.102	.723**	.223**	.572**	.487**	.430**	1.000	.062	.244**	.044	.093
		Sig. (2-tailed)	.015	.235	.000	.009	.000	.000	.000	.	.471	.004	.611	.279
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Organisation effectiveness	Correlation Coefficient	-.056	-.059	.092	.043	.058	.106	.049	.062	1.000	.367**	.151	.055
		Sig. (2-tailed)	.518	.491	.284	.615	.500	.216	.566	.471	.	.000	.078	.522
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Objective fulfilment	Correlation Coefficient	-.058	-.086	.274**	.099	.275**	.290**	.088	.244**	.367**	1.000	.223**	.016
		Sig. (2-tailed)	.500	.315	.001	.249	.001	.001	.308	.004	.000	.	.009	.848
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Job satisfaction	Correlation Coefficient	.264**	-.082	.117	.046	.129	.147	.096	.044	.151	.223**	1.000	.168*
		Sig. (2-tailed)	.002	.339	.173	.591	.132	.087	.262	.611	.078	.009	.	.050
		N	137	137	137	137	137	137	137	137	137	137	137	137
	Central life interests	Correlation Coefficient	.018	-.039	.174*	.066	.229**	.109	.154	.093	.055	.016	.168*	1.000
		Sig. (2-tailed)	.831	.654	.042	.446	.007	.204	.073	.279	.522	.848	.050	.
		N	137	137	137	137	137	137	137	137	137	137	137	137

*. Correlation is significant at the .05 level (2-tailed).

**. Correlation is significant at the .01 level (2-tailed).

According to the first hypothesis, strategic planning has a positive relationship with organisational effectiveness in disability-based organisations. As can be seen in **Table 3**, this hypothesis was supported. Although the correlations were weak, all of the dimensions of strategic planning and strategic planning overall were significantly related (at the .01 level of significance) with each other, and there were also significant (at the .01 level of significance) correlations between the various measures of organisational performance. Overall *organisational effectiveness* (Mott, 1972) was positively correlated to *objective fulfilment* (Ramanujam *et al*., 1986) and was significant at the .01 level; *job satisfaction* (Miskel, 1982) was positively correlated to *objective fulfilment* and was significant at the .01 level; and *central life interests* (Hoy and Miskel, 1987) was positively correlated to *job satisfaction* and was significant at the .05 level.

The strategic planning construct was found to be significantly correlated with organisational performance in a number of respects. Overall, it showed high explanatory values in relation to the variance of *objective fulfilment* and *central life interests* (at the .01 and .05 levels of significance respectively). Similarly, the *external orientation* dimension was significantly correlated with the same measures (both at the .01 level of significance). Also, *functional integration* and *key personnel involvement* dimensions were found to be highly correlated (both at the .01 level of significance) with the *objective fulfilment* measure of organisational performance.

The second hypothesis postulated that larger organisations will have stronger correlations with strategic planning. As can be seen from **Table 3**, organisational size was significantly correlated with *external orientation* (at the .05 level of significance), with *key personnel involvement* (at the .05 level of significance), and with *strategic planning* generally (at the .08 level of significance). The second hypothesis was thus also supported. Organisational size too was significantly positively correlated with the organisational effectiveness measure of *job satisfaction* (at the .01 level of significance).

On a State by State basis, there were important differences from the overall situation, principally in Tasmania as can be seen from **Tables 4** and **5**. Victorian agencies showed similar correlations to the aggregate, although *size* ceased to be linked to the degree of emphasis on *external orientation*. Further, *functional integration* and *key personnel involvement* dropped out of significance; and *objective fulfilment*, and *strategic planning* and *external orientation* diminished in significance (to .05).

TABLE 4. AGGREGATE CORRELATIONS (SPEARMAN) BETWEEN STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE IN VICTORIAN ORGANISATIONS (TEAMS N=117)

Correlations

			Size	Location	Strategic planning	Internal orientation	External orientation	Functional coverage	Use of techniques	Key personnel involvement	Organisation effectiveness	Objective fulfilment	Job satisfaction	Central life interests
Spearman's rho	Size	Correlation Coefficient	1.000	.096	.135	-.027	.150	-.007	.081	.220*	.020	-.091	.253**	-.057
		Sig. (2-tailed)	.	.301	.148	.772	.106	.943	.384	.017	.827	.329	.006	.540
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Location	Correlation Coefficient	.096	1.000	.029	.021	.082	.014	.054	-.048	-.138	-.127	-.040	.063
		Sig. (2-tailed)	.301	.	.753	.823	.378	.885	.565	.605	.138	.173	.669	.500
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Strategic planning	Correlation Coefficient	.135	.029	1.000	.545**	.899**	.771**	.768**	.755**	.124	.188*	.090	.194*
		Sig. (2-tailed)	.148	.753	.	.000	.000	.000	.000	.000	.182	.043	.332	.036
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Internal orientation	Correlation Coefficient	-.027	.021	.545**	1.000	.398**	.396**	.324**	.250**	.053	.048	-.002	.037
		Sig. (2-tailed)	.772	.823	.000	.	.000	.000	.000	.007	.573	.605	.981	.692
		N	117	117	117	117	117	117	117	117	117	117	117	117
	External orientation	Correlation Coefficient	.150	.082	.899**	.398**	1.000	.637**	.567**	.613**	.132	.232*	.081	.258**
		Sig. (2-tailed)	.106	.378	.000	.000	.	.000	.000	.000	.155	.012	.384	.005
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Functional coverage	Correlation Coefficient	-.007	.014	.771**	.396**	.637**	1.000	.595**	.497**	.114	.180	.136	.138
		Sig. (2-tailed)	.943	.885	.000	.000	.000	.	.000	.000	.220	.052	.142	.138
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Use of techniques	Correlation Coefficient	.081	.054	.768**	.324**	.567**	.595**	1.000	.482**	.085	.024	.082	.171
		Sig. (2-tailed)	.384	.565	.000	.000	.000	.000	.	.000	.360	.798	.380	.066
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Key personnel involvement	Correlation Coefficient	.220*	-.048	.755**	.250**	.613**	.497**	.482**	1.000	.051	.154	.068	.071
		Sig. (2-tailed)	.017	.605	.000	.007	.000	.000	.000	.	.582	.097	.464	.450
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Organisation effectiveness	Correlation Coefficient	.020	-.138	.124	.053	.132	.114	.085	.051	1.000	.342**	.252**	.060
		Sig. (2-tailed)	.827	.138	.182	.573	.155	.220	.360	.582	.	.000	.006	.522
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Objective fulfilment	Correlation Coefficient	-.091	-.127	.188*	.048	.232*	.180	.024	.154	.342**	1.000	.211*	.041
		Sig. (2-tailed)	.329	.173	.043	.605	.012	.052	.798	.097	.000	.	.022	.657
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Job satisfaction	Correlation Coefficient	.253**	-.040	.090	-.002	.081	.136	.082	.068	.252**	.211*	1.000	.189*
		Sig. (2-tailed)	.006	.669	.332	.981	.384	.142	.380	.464	.006	.022	.	.041
		N	117	117	117	117	117	117	117	117	117	117	117	117
	Central life interests	Correlation Coefficient	-.057	.063	.194*	.037	.258**	.138	.171	.071	.060	.041	.189*	1.000
		Sig. (2-tailed)	.540	.500	.036	.692	.005	.138	.066	.450	.522	.657	.041	.
		N	117	117	117	117	117	117	117	117	117	117	117	117

*. Correlation is significant at the .05 level (2-tailed).

**. Correlation is significant at the .01 level (2-tailed).

TABLE 5. AGGREGATE CORRELATIONS (SPEARMAN) BETWEEN STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE IN TASMANIAN ORGANISATIONS (TEAMS N=20)

Correlations

			Size	Location	Strategic planning	Internal orientation	External orientation	Functional integration	Use of techniques	Key personnel involvement	Organisation effectiveness	Objective fulfilment	Job satisfaction	Central life interests
Spearman's rho	Size	Correlation Coefficient	1.000	-.191	.126	-.065	.424	-.043	.323	.012	-.443	-.259	.349	.012
		Sig. (2-tailed)	.	.420	.598	.785	.062	.857	.165	.960	.050	.270	.132	.961
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Location	Correlation Coefficient	-.191	1.000	-.049	.051	-.183	.091	.070	.203	.203	-.134	-.323	.136
		Sig. (2-tailed)	.420	.	.837	.831	.439	.704	.768	.392	.390	.575	.165	.569
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Strategic planning	Correlation Coefficient	.126	-.049	1.000	.490*	.780**	.861**	.814**	.546*	-.045	.365	.223	-.181
		Sig. (2-tailed)	.598	.837	.	.028	.000	.000	.000	.013	.850	.114	.344	.444
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Internal orientation	Correlation Coefficient	-.065	.051	.490*	1.000	.175	.470*	.522*	.069	.015	.052	.281	.313
		Sig. (2-tailed)	.785	.831	.028	.	.459	.036	.018	.773	.950	.828	.231	.179
		N	20	20	20	20	20	20	20	20	20	20	20	20
	External orientation	Correlation Coefficient	.424	-.183	.780**	.175	1.000	.463*	.700**	.292	-.302	.129	.270	-.301
		Sig. (2-tailed)	.062	.439	.000	.459	.	.040	.001	.212	.196	.587	.250	.197
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Functional integration	Correlation Coefficient	-.043	.091	.861**	.470*	.463*	1.000	.610**	.556*	.040	.419	.233	-.142
		Sig. (2-tailed)	.857	.704	.000	.036	.040	.	.004	.011	.866	.066	.322	.552
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Use of techniques	Correlation Coefficient	.323	.070	.814**	.522*	.700**	.610**	1.000	.234	-.116	.166	.147	.060
		Sig. (2-tailed)	.165	.768	.000	.018	.001	.004	.	.322	.628	.484	.536	.801
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Key personnel involvement	Correlation Coefficient	.012	.203	.546*	.069	.292	.556*	.234	1.000	.151	.364	-.133	-.111
		Sig. (2-tailed)	.960	.392	.013	.773	.212	.011	.322	.	.524	.114	.578	.642
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Organisation effectiveness	Correlation Coefficient	-.443	.203	-.045	.015	-.302	.040	-.116	.151	1.000	.511*	-.537*	.030
		Sig. (2-tailed)	.050	.390	.850	.950	.196	.866	.628	.524	.	.021	.015	.900
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Objective fulfilment	Correlation Coefficient	-.259	-.134	.365	.052	.129	.419	.166	.364	.511*	1.000	.078	-.365
		Sig. (2-tailed)	.270	.575	.114	.828	.587	.066	.484	.114	.021	.	.744	.114
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Job satisfaction	Correlation Coefficient	.349	-.323	.223	.281	.270	.233	.147	-.133	-.537*	.078	1.000	-.262
		Sig. (2-tailed)	.132	.165	.344	.231	.250	.322	.536	.578	.015	.744	.	.264
		N	20	20	20	20	20	20	20	20	20	20	20	20
	Central life interests	Correlation Coefficient	.012	.136	-.181	.313	-.301	-.142	.060	-.111	.030	-.365	-.262	1.000
		Sig. (2-tailed)	.961	.569	.444	.179	.197	.552	.801	.642	.900	.114	.264	.
		N	20	20	20	20	20	20	20	20	20	20	20	20

*. Correlation is significant at the .05 level (2-tailed).

**. Correlation is significant at the .01 level (2-tailed).

On the other hand, Tasmanian agencies demonstrated little association at all between the two constructs and their various dimensions and measures. There were also no significant relationships between the various measures of organisational performance with the exception of *job satisfaction* with *organisational effectiveness* – a negative correlation significant at the .05 level of confidence. The correlations between the various strategic planning dimensions were also weaker than those in the overall population, and those in Victoria. Two hitherto significant relationships (*internal orientation* and *use of key personnel*, and *external orientation* and *use of key personnel*) ceased to be significant in Tasmanian agencies, and four other correlations exist at a 95 per cent level of confidence rather than a 99 per cent level. The second hypothesis was thus supported. The correlations were supported by the various regression analyses conducted (see **Table 6** below).

TABLE 6. SUMMARISED BIVARIATE REGRESSION STATISTICS FOR RELATIONSHIPS BETWEEN STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE

	R	R Square	Adjusted R square	Std. Error of the Estimate	Sum of Squares	df	Mean Square	F	Sig.	Unst. Coeff.	Std. Error	St. Coeff	t	Sig.
Internal orientation and organisational effectiveness	.027	.001	-.007	.6094	3.574E	1	3.574E	.096	.757	3.44E	.111	.027	.310	.757
Internal orientation and objective fulfilment	.078	.006	-.001	.8105	.540	1	.540	.822	.366	.134	.148	.078	.906	.366
Internal orientation and job satisfaction	.061	.004	-.004	.5253	.137	1	.137	.496	.482	6.74E	.096	.061	.704	.482
Internal orientation and central life interests	.061	.004	-.004	.5039	.128	1	.128	.504	.479	6.52E	.092	.061	.710	.479
External orientation and organisational effectiveness	.114	.013	.006	.6056	.652	1	.652	1.779	.185	9.13E	.068	.114	1.334	.185
External orientation and objective fulfilment	.185	.034	.027	.7990	3.038	1	3.038	4.759	.031	.197	.090	.185	2.181	.031
External orientation and job satisfaction	.140	.020	.012	.5211	.733	1	.733	2.700	.103	9.68E	.059	.140	1.643	.103

	R	R Square	Adjusted R square	Std. Error of the Estimate	Sum of Squares	df	Mean Square	F	Sig.	Unst. Coeff.	Std. Error	St. Coeff	t	Sig.
External orientation and central life interests	.253	.064	.057	.4885	2.199	1	2.199	9.218	.003	.168	.055	.253	3.036	.033
Functional integration and organisational effectiveness	.135	.018	.011	.6040	.910	1	.910	2.493	.117	.123	.078	.135	1.579	.117
Functional integration and objective fulfilment	.206	.042	.035	.7956	3.769	1	3.769	5.955	.016	.250	.102	.206	2.440	.016
Functional integration and job satisfaction	.138	.019	.012	.5212	.717	1	.717	2.640	.107	.109	.067	.138	1.625	.107
Functional integration and central life interests	.152	.023	.016	.4990	.798	1	.798	3.203	.076	.115	.064	.152	1.790	.076
Use of techniques integration and organisational effectiveness	.091	.008	.001	.6070	.417	1	.417	1.132	.289	5.45E	.051	.091	1.064	.289
Use of techniques and objective fulfilment	.023	.001	-.007	.8127	4.671E	1	4.671E	.071	.791	1.82E	.069	.023	.266	.791
Use of techniques and job satisfaction	.126	.016	.009	.5221	.590	1	.590	2.166	.143	6.48E	.044	.126	1.472	.143

	R	R Square	Adjusted R square	Std. Error of the Estimate	Sum of Squares	df	Mean Square	F	Sig.	Unst. Coeff.	Std. Error	St. Coeff	t	Sig.
Use of techniques and central life interests	.170	.029	.022	.4975	.995	1	.995	4.018	.047	8.41E	.042	.170	2.005	.047
Key personnel involvement and organisational effectiveness	.061	.004	-.004	.6085	.185	1	.185	.500	.481	4.55E	.064	.061	.707	.481
Key personnel involvement and objective fulfilment	.162	.026	.019	.8022	2.331	1	2.331	3.622	.059	.161	.085	.162	1.903	.059
Key personnel involvement and job satisfaction	.062	.044	-.004	.5253	.142	1	.142	.513	.475	9.98E	.056	.062	.717	.475
Key personnel involvement and central life interests	.140	.020	.012	.4999	.672	1	.672	2.687	.103	8.66E	.053	.140	1.639	.103

Discussion

There are three key findings in this study:

Strategic planning and organisational performance

Strategic planning intensity does have an effect on organisational performance in disability-based organisations, as measured by (self assessed) objective fulfilment and central life interests, with higher intensity levels of strategic planning and the component dimensions associated with higher performance

Table 3 shows that the strategic planning construct in this study was significantly correlated with organisational performance in a number of respects. Firstly, strategic planning and the external orientation dimension were positively and significantly correlated with the objective fulfilment and central life interests measures. Secondly, the functional integration and use of key personnel dimensions were found to be highly positively correlated with the objective fulfilment measure. This study would thus appear to confirm that strategic planning does have an effect on organisational performance (both self assessed) in this study. It follows that the prescriptive management literature which strongly advocates strategic planning as a key to superior performance (Glaister and Falshaw, 1999), and the 49 (61%) of the 80 studies which identified a favourable link between strategic planning and performance seems to be strengthened by this finding. It should be reiterated, however, that the favourable link in the literature is a tentative conclusion, since it is based on mixed evidence and is subject to a *caveat* (Armstrong, 1982; Greenley, 1986, 1993, 1994; Kudla, 1980; Pearce, Freeman and Robinson, 1987; Rhyne, 1986; Shrader, Taylor and Dalton, 1984).

The finding that strategic planning itself and the functional integration dimension of strategic planning, as self assessed, have an effect on organisational performance, specifically in terms of objective fulfilment; this perhaps suggests that those organisations that plan more strategically, using an open systems, approach are more likely to perform well. Because one of the component measures of objective fulfilment is improved management development, this finding also suggests that organisations that have a more intense level of strategic planning are more likely to demonstrate an improvement in management development.

In relation to the significant correlation found between key personnel (CEO, line managers, and Board members) involvement and objective fulfilment (both self-assessed), it might be suggested

that a human services sector orientation (collaborative, collegial, and consultative) matched by organisational arrangements is most likely to achieve organisational goals. Further, the finding that a more intense external orientation is significantly correlated with objective fulfilment might imply that organisations that are more able to monitor the external environment – incorporating sponsoring and funding bodies – are more likely to achieve organisational goals.

As regards causation, Hopkins and Hopkins (1997) found a reciprocal relationship between strategic planning intensity and performance. That is, strategic planning intensity generates better performance, and, in turn, better performance generates greater strategic planning intensity. However, more research is required to ascertain whether such a causal relationship exists (or existed) in the disability organisations involved in this study. Further, and specifically in relation to small business research, the above finding matches that of Robinson and Littlejohn (1981). During the 1980s, they asserted that virtually all of the studies up to that point had found the use of planning to be much more frequent in successful rather than unsuccessful small firms. Also in 1984, Robinson *et al.* found that a rather consistent, positive relationship existed between the extent of planning activities and the performance of small business.

The results of this study also accord with Orpen's (1985) findings, which strongly suggest that small firms that perform well conduct the long-range planning process differently than small firms that perform poorly. This difference is essentially due to the comprehensiveness (quality) of the process. Orpen found that for mixed small businesses, those undertaking more comprehensive long-range planning experienced improved performance relative to those that undertook less comprehensive planning. And in 1986, Robinson, Logan and Salem found significantly higher levels of perceived performance for those firms engaging in strategic planning – another similar finding to that which arises from this current study. On the other hand, the above finding refutes the 1983 and 1984 studies of Robinson and Pearce, who found no significant performance differences between formal and non-formal small business planners and, secondly, that of Gable and Topol (1987) who found that, for small-scale Australian retailers, a positive relationship was not supported.

Finally, the high level of intensity with which not-for-profit organisations in the disability sector dealt with in this study apparently conduct their strategic planning processes (mean of 3.7 out of 5 or 74%) may tend to confirm the view that, since 1989, many not-for-profit firms have adopted strategic planning and control

systems as a form of operational discipline (Davies, 1994; Parker, 1998; Richardson and Hawkins, 1995). This level of adoption occurs despite, in many cases, the organisations not having the managerial skills, capacity and credibility to do so (Dees, 1998).

Strategic planning and organisational size

Organisational size has a relationship with strategic planning intensity in disability-based organisations, with smaller organisations being self assessed as having a lower intensity on the external orientation and use of key personnel dimensions of strategic planning

As can be seen in **Table 3**, organisational size does have a relationship with certain aspects of strategic planning. The smaller the organisation, the less emphasis there is on analysing government and political issues, competitive trends, supplier trends, external client and customer preferences, and technological trends, and on performing market research. There is also less emphasis on strategic planning by the CEO, by line managers, by Board members, and on involving all staff. This finding is perhaps surprising given the collegial, collaborative and consultative nature of the disability sector (DISTSS, 1999), and the predominance of small to medium-sized organisations in the study. Perhaps the finding indicates that larger organisations plan more on these two dimensions so as to manage their external environment more strategically and with larger numbers of staff. This finding might also indicate that it is not appropriate for small to medium-sized agencies to use formal strategic planning techniques. The finding may indeed reflect the lack of perceived need for strategic planning systems in smaller organisations – due to perhaps lower educational levels, or as a result of direct service professionals (without management training) often filling management positions in smaller agencies.

Alternatively, this finding could be explained in terms of Stone's (1989) study. Stone found organisational size (and corporate base) to be a significant predictor of the adoption of formal planning by not-for-profit organisations. The smaller the organisation, and the smaller the corporate base of the geographical region, the less the likelihood of the adoption of formal planning. The finding might also support in some respects the Robinson, Pearce, Vozikis and Mescon (1984) assertion that small firms are not suited to formal strategic planning, as it is essentially a conceptual activity solely of value to larger firms. More (qualitative) research is required to ascertain whether any or all of these explanations are valid.

In overall terms, what emerges here is consistent with the general not-for-profit literature. For example, King (1998) found that only 31% of not-for-profit organisations had a strategic plan, and of these, most had larger budgets with a greater availability of resources and staff time to devote to planning (Young and Sleeper, 1988) – and possibly more managerially-sophisticated executive directors (Wolch, 1990). This is consistent also with Bantel (1994), who examined the effect of top management team demography on the strategic planning dimension of planning openness in a sample of retail banks. After controlling for firm size and performance volatility, Bantel found that (a) low tenure mean, (b) low education mean, and functional heterogeneity had an influence on planning openness.

In any event, this aspect of the current research should not be open to the same criticism as that of the early small business research, where firm size, amongst other things, was not controlled for (Grinyer, Al-Bazzaz and Yasia-Ardekani, 1986; Shrader, Mulford and Blackburn, 1989). It seems clear from this study that larger organisations demonstrate a higher intensity (effectiveness) of planning across the external and key personnel dimensions of strategic planning. It also seems clear from this study that managers employed in larger organisations exhibit significantly higher levels of job satisfaction, (i) overall and (ii) in Victoria. This may appear somewhat counterintuitive; however, the larger infrastructure and geographical proximity to larger cities may partly explain it

Strategic planning and organisational location

Organisational location has a relationship with strategic planning systems in disability-based organisations, with systems in Victorian organisations being more intense as compared their Tasmanian equivalents

The above result relating to strategic planning is not reflected in statistically significant differences or correlations between the States. However, on a State by State basis, there are important differences from the overall correlational situation, principally in Tasmania. Victorian agencies show similar correlations to the aggregate, while on the other hand, Tasmanian agencies demonstrate little association at all between the two constructs and their various dimensions and measures. Generally, strategic planning systems (as self-assessed) are more intense in Victorian as compared to Tasmanian organisations. On all dimensions of strategic planning apart from functional integration, respondent Victorian managers self-assessed

their organisations as performing at a higher or more intense level. This result may have been affected by the small Tasmanian sample size but may also have been affected by the size of respondent organisations in Tasmania, or other regional characteristics. Again, further research is required to gain more insight into the nature of the finding and possible explanations.

Inherent in the above finding is the notion that the intensity with which organisations undertake the strategic planning process may be linked not only to organisational location, but also to the size of organisations in those locations. As discussed above, strategic planning intensity is related to organisational size. Although organisational location and organisational size are not significantly related in a statistical sense in this research, it may be the case that the small Tasmanian sample size and size of respondent Tasmanian organisations may have affected the results.

Conclusions

It seems clear that in this instance, there is at least qualified support for small-scale agencies in the disability sector adopting management structures and practices from the corporate sector (Bryson, 1995; Kovner, 1990; Nutt and Backoff, 1992, 1993; Shortell, Gillies and Devers, 1995), in particular strategic planning. The changing nature of the disability sector has encouraged many agencies to become more financially diverse and not totally reliant on government funding. The desirability of, and success of agencies in working towards and achieving this goal may in part be supported and explained by the finding of this research that those organisations which have a more intensive external orientation are more likely to achieve organisational goals. The implications are particularly relevant for smaller agencies.

Although as far as the outcomes of this particular research are concerned, to some extent the small number of respondents in Tasmania reduced the statistical power of the conclusions, in that a Tasmanian effect, or a difference between States, needed to be larger than a corresponding Victorian effect in order to appear as statistically significant. To some extent also, the low overall percentage of respondent organisations and managers reduced the statistical power of the conclusions. Particularly with larger organisations, it was also difficult to separate top team managers from other managers. However, as most of the respondents were from small and medium-sized organisations, with mostly one level of

management (but a maximum of two [DISTSS, 1999]), the validity of the overall results – particularly as they apply to small-scale organisations – should not be seriously challenged.

Further, because this research was limited to the disability sector in two States, Victoria and Tasmania, the results may not be generalisable to other States in Australia, or to other industry sectors, or countries. It is likely however, that, if the disability sector and geographical demographics of other States in Australia are similar to those in Victoria and Tasmania, the results may indeed be generalisable. Yet such an assumption could be questioned, because even if it is the case that the disability sector and geographical demographics of other States in Australia are similar to those in Victoria and Tasmania, the different findings in a few variables (or relationships) between States in this study may be repeated in those other States.

One variable that is unlikely to differ significantly in disability-based agencies from State to State is that of profitability. The difficulties experienced in this current research in using profitability as a valid and reliable measure of assessing the organisational performance of charitable not-for-profit organisations tends to confirm the difficulties found by previous researchers already referred to. In relation to the use of self-reported data in this study, the method represented an opportunity for the consideration of intervening variables, but incorporated the problem of historical bias due to dependence on the memories of respondents. The final limitation relates to the generic nature of the planning-performance research. As previously stated, and in common with other observational studies where a true manipulation is not possible, in seeking to define the relationship between planning and performance, it is difficult to establish what performance would have been achieved by a planning organisation if planning had not been undertaken.

Although the results of this exploratory study have significant implications for theory, policy and practice in small to medium-sized firms in the disability sector, it should be reiterated that it is the first and only such study in the sector involving the two constructs of strategic planning and organisational performance. Consequently, there are several key areas where further such research in the disability sector could be undertaken – prior to examining the topic in other regions of Australia, in other countries, or in other industry settings. As with this current study, such research should also attempt to eliminate some or all of the limitations referred to above.

The key areas in the disability sector where further research might meaningfully be undertaken would include further exploration:

- Of organisational performance (and the learning organisation), so as to determine whether other measures of organisational performance might be applicable to the sector
- Of what other factors, internal and external, including organisational size, might have an impact on strategic planning in disability-based organisations
- As to whether strategic planning affects organisational performance directly, or whether other strategic activities intervene
- Of the processes by which a human services sector orientation and organisational arrangements are most likely to achieve organisational goals.

Finally, all disability sector bodies and staff should be made aware of the benefits of strategic planning in assisting their organisations to adapt to their environment and, in so doing, work towards balancing the tensions between the business and the people. In this way, survival and growth of disability-based organisations will be facilitated, and outcomes for people with disabilities will be enhanced, thereby achieving a more efficient and effective use of society's resources.

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