

## Initiating strategic planning

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### Abstract

A raft of commentators has observed that too little is known of the contingencies that precede the instigation of formal planning. The objective of this paper is to explore, describe, and explicate the processes, factors, and dynamics that relate to the initiation of formal planning efforts within organizations. This article uses the following structure. First, a conceptual model of the antecedents of planning initiation is presented that identifies and describes ten antecedent factors. Thereafter, the research design, methodology, and the approach adopted is described and justified. After tests to gauge the reliability and validity of the measures employed (including confirmatory factor analysis), 237 responses to a mailed survey are analyzed and the presented framework evaluated. The paper culminates with a discussion of implications. © 2005 Elsevier Inc. All rights reserved.

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### 1. Introduction

Many aspects of the scholarly investigation of planning within organizations form a source of academic debate and conceptual division (e.g. see Mintzberg, 1994a; Ansoff, 1994; Heracleous, 1998; Kaplan and Beinhocker, 2003). However, theorists seem broadly in agreement that the development or emergence of a coherent and implementable plan is beneficial to firms (Aram and Cowen, 1990; Wooldridge and Floyd, 1990; Miller and Cardinal, 1994; Floyd and Wooldridge, 1997; Hopkins and Hopkins, 1997) and involves or should involve a process (Pettigrew, 1977; Judson, 1996; Smith, 1998; Rowden, 1999), albeit founded on an often misunderstood dynamic process of strategizing (see Mintzberg, 1994b,c; Hamel, 1996) that is not necessarily rational or logical (see Piercy and Giles, 1989; Butel and Watkins, 2000). In this sense, researchers from a wide range of perspectives agree that planning only yields superior returns for an organization, if such efforts are implemented successfully (e.g. Noble and Mokwa, 1999; Dibb and

Simkin, 2003; Taylor and Wright, 2003). Nevertheless, while insights have been generated into the consequences of strategizing and planning processes (Miller and Cardinal, 1994; Berman et al., 1997; Hopkins and Hopkins, 1997; Ferrier, 2001), and Menon et al. (1999) have examined the factors that affect the nature and form of the planning process, the factors that antecede such formal planning remain obscure. Indeed, while much is known about the nature, dynamics, and consequences of the planning process, comparatively few insights have been generated into the forces that impede ‘strategic thinking’ prior to the formal initiation of planning (see Harris, 1996a,b) and a range of theorists have argued that too little is known of the contingencies that precede the instigation of formal planning (e.g. Bracker and Pearson, 1986; Harris, 1996a,b; Menon et al., 1999). In these regards, generating a greater understanding of the process of planning initiation is of interest and importance to both theorists and practitioners.

This study aims to contribute insights into these issues through explicitly concentrating on the exploration and description of the factors that antecede the initiation of strategic planning. As such, the focus of the paper is not on the success of plans or the forces that shape the form of the planning process, but rather this research centers on the contingencies that affect whether strategic thinking is

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translated into subsequent formal planning efforts. In this way, the objective of this research is to explore, describe, and explicate the processes, factors, and dynamics that relate to the initiation of formal planning efforts within organizations.

## 2. The initiation of planning

Fig. 1 identifies the key constructs in the study in order to steer the subsequent review and discussion. This framework presents the initiation of planning to be driven by ten factors grouped into management characteristics, firm dynamics, and environmental factors.

### 2.1. Management characteristics

A review of extant literature leads to the suggestion that four key characteristics of management are related to the initiation of planning (see Fig. 1). The first factor centers on the extent to which management possesses relevant and applicable planning skills. That is, the extent to which the management of the firm have the skills to be able to undertake or to manage a formal planning effort. The view that the lack of such skills constitutes a crucial factor in the initiation of planning emerges, in part, from ongoing efforts to explore strategy development in small and often family businesses (see Gibb and Scott, 1985; Carter et al., 1996; Hunt and Handler, 1999). This view is apparent in a study of the development of marketing planning in small firms by Carson (1985) that concludes that the lack of relevant specialist expertise acts as a significant constraint on evolution and progress. This contention is concordant with research into the internal diffusion of innovations that suggests that the experience and skill levels of management exerts a significant affect on the adoption of innovations (e.g. Higgins and Hogan, 1999; Young et al., 2001).

However, the argument that planning skills are associated with the initiation of formal planning can also be linked to studies of executives in large firms (see Higgins and Vincze,

1993; Hopkins and Hopkins, 1997). For example, Geletkanycz and Hambrick (1997) study the external ties of top executives and conclude that those boards with wider experience and skills from such extra-industry ties, are likely to generate novel strategies. Hambrick and Mason (1984) echo this view by contending that the experience of executives will play a significant role in the identification and development of strategic directions. Similarly, Hopkins and Hopkins (1997) find strong links between managerial strategic planning expertise and planning intensity. These and other insights lead Boeker (1997, p. 213) to conclude that “the skills, knowledge, and background that executives bring to the top management team play a central role in influencing strategic choices”. Thus:

**H<sub>1</sub>.** The greater the extent of executives’ planning skills, the greater the likelihood of successful planning initiation.

The second management factor that can be argued to be linked to planning initiation is the ‘time orientation’ of management (see Fig. 1). That is, the extent to which the management of the firm have a time orientation that is focused on short-term horizons or longer-term issues. Intuitively, an organization that is focused on short-term gain and rewards is less likely to plan, while a firm with a longer-term perspective is more likely to take steps to plan for the future (Harris, 1996a). The innovation literature mirrors this view by arguing that short-term management horizons, matched by inappropriate systems (especially those of remuneration) are critical inertia forces that impede change and innovation (see for example, Quinn, 1985). Similarly, in a study of broader planning efforts, Harris (1996a) suggests that where short-term issues are prioritized over the medium and long-term concerns, planning is less likely. Thus, Harris (1996a) argues that short-term time pressures act as obstacles to planning initiation.

Aram and Cowen (1990, p. 65) concur with the view, that a long-term perspective is a prerequisite to planning, and argue that to achieve the full potential of planning efforts, the top management of firms should be “proactive in initiating planning”. These findings lead Gibb and Scott

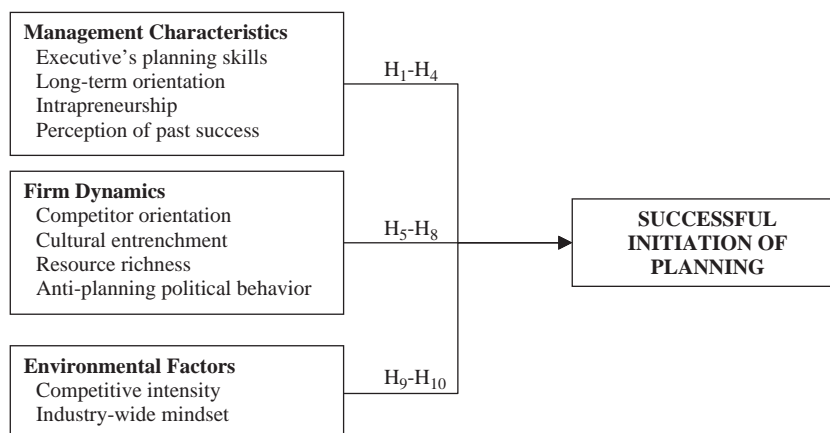


Fig. 1. Factors associated with the successful initiation of planning.

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