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**The influence of utilising government initiatives,  
servicing foreign MNCs and internationalisation on  
strategic planning process of local companies  
in Singapore**

LEE Ngo Hock

Doctor of Philosophy

**ASTON UNIVERSITY**

October 2001.

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## **THESIS SUMMARY**

**The influence of utilising government initiatives, servicing foreign MNCs and internationalisation on strategic planning process of local companies in Singapore**

LEE Ngo Hock  
Doctor of Philosophy  
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This research focuses on two groups of local companies; namely, high-growth local companies and other local companies, to examine and compare the influence of utilising government initiatives, servicing foreign MNCs and internationalisation on their strategic planning process. The theme of this thesis argues that the approach of an organisation towards strategic planning is not only determined by the internal influences; namely, its firm size and the planning behaviour and attitude of an entrepreneur, as revealed in the literature, but it can also be affected by external influences. The theoretical contribution of this research determines this unique situation in Singapore, and tests the robustness of the conventional models of planning in smaller companies. As a result of the external influences, this study reveals that local companies are more likely to undertake a much more formal strategic planning than the conventional Western literature and models would indicate. High-growth local companies, in comparison, however, had undertaken a more formal and rigorous strategic planning process than other local companies.

**Key Words:**

**Strategic planning, External influences, Government initiatives, Foreign MNCs, Internationalisation**

## **DEDICATION**

This thesis is dedicated specially to my wife, Ms. Oon Siew Bee, my daughter, Felicia Lee Yun Xue and my two sons, Lemuel Lee Yun Jie and Norman Lee Yun Xiang.

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Above all things, I thank God for giving me the strength, wisdom and direction for going through this study. In Proverbs 3: 5-6, he said, “Trust in the LORD with all thine heart; and lean not unto thine own understanding. In all thy ways, acknowledge him and he shall direct thy paths”. The completion of this study is for his glory alone, so that his name may be glorified. In the name of the Lord, Jesus Christ<sup>1</sup> I pray, Amen.

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<sup>1</sup> KJV John 3: <sup>16</sup>For God so loved the world that he gave his only begotten Son [Jesus Christ], that whosoever believeth in him should not perish, but have everlasting life. <sup>17</sup>For God sent not his Son into the world to condemn the world; but that the world through him might be saved.

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# CHAPTER 1

## Introduction

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This chapter introduces the thesis, written for the fulfilment of requirement for the degree of Doctor of Philosophy [Ph.D.] in Aston University [U.K.]. The chapter consists of six sections. The first section provides the research background. It briefly describes the situation that had prompted the author to carry out this research. Section two, which is the most important section, determines the scope of this study. It defines high-growth local companies and other local companies in the context of this study, and gives reasons for only considering the classical planning approach and three external influences; namely, the utilisation of government initiatives, the servicing of foreign MNCs, and the extent of internationalisation, in this study.

Section three spells out the research objectives, and also highlights the research questions. Section four provides the motivation for carrying out this research. Section five determines the importance of this study and its contributions to the literature. Lastly, section six gives an overview and the structure of this thesis. It briefly spells out the objective of each chapter, and how it contributes to the writing of the whole thesis.



## **1.1 RESEARCH BACKGROUND**

The economic development of Singapore is unique. Immediately after Singapore obtained self-government from Britain in 1959, the new government embarked on a deliberate strategy to industrialise the country's economy. Much of the Singapore economic growth, since the country gained its independence, had been based on successful strategies of attracting foreign investment of manufacturing activities. The foreign investments had provided Singapore with the much needed capital and technical know-how for industrialisation. Between 1970 and 1975, foreign capital-investment in manufacturing had increased significantly. This industrialisation process had led to a major change in the Singapore economy, transforming it from one solely depended on trade of basic commodities prior to the 1960s, into presently a high-tech manufacturing and services centre in the Asia Pacific region (EDB, 1993).

After three decades of economic development, the Singapore economy had undergone a metamorphosis. While the contribution from the commerce sector to the Gross Domestic Product [GDP] had declined, the manufacturing sector had increased its contribution from 17.6 percent in 1960 to about 25 percent both in 1970 and 1987 (Census of Industrial



Production, 1960-1987). The services sector had also made a significant increase, at the same time, in its contribution to the GDP from 14.7 percent in 1960 to 26.4 percent in 1987 (Census of Services, 1960-1987).

According to the Strategic Economic Plan [SEP], Singapore is poised to become a commercial, manufacturing and financial hub of Southeast Asia, and a prominent player in the global marketplace in the new millennium (EDB, 1993). Although the economic revival has opened up many new business opportunities for local companies, it has also generated new challenges for them in the years ahead. As Singapore continues to take on high value-added of foreign activities, local companies need to upgrade their operations and acquire new business capabilities continuously in order to provide better quality goods and services to meet the high demands and expectations of foreign MNCs.

Besides dependent on foreign activities, the Singapore economy is also dependent heavily on international trade. Given its small domestic market, free trade and internationalisation have become the culture of the Singapore economy. The opening of the Singapore economy to international competitors has resulted in an increased competition that forces many local

companies to reinvest their business in overseas to acquire cheaper labour and material in order to reduce business cost, and at the same time, to carve their own market niches.

Local companies, as a result, also need to keep abreast of the world economy, the regional economic growth, and the technological change in order to stay ahead of the global competition. These new challenges have resulted in a change of mind-set and attitude of local companies from being inward-oriented to becoming outward-oriented. This has led them to establish strong linkages through close co-operation and collaboration with foreign MNCs. At the same time, it has also encouraged them to equip themselves by building up their own strengths and acquiring new business capabilities to venture into international strategic alliances.

Since the last economic recession in 1985, the Singapore government has realised the importance of local companies' contributions to the Singapore economy. In fact, to realise the Singapore's vision of becoming a developed nation by the turn of the century, the government has integrated the development of local companies into the national strategic plan to

develop a core of high calibre entrepreneurs and world-class companies in Singapore (EDB, 1993).

The government is committed to support local companies in the following four main areas; namely, to (1) improve and provide a conducive environment to promote entrepreneurship and innovation; (2) increase market efficiency by encouraging information exchange and improving the provision of information on new methods and opportunities; (3) promote best practices in business through access to consultancy, technology adoption and training; and (4) assist local companies to go international, and eventually, to become successful MNCs. In line with the government objectives, the Economic Development Board [EDB] of Singapore has developed a wide range of initiatives to help local companies, in every stage of their growth, to evolve from their traditional trading and light industry base to undertake a broad spectrum of high value-added activities.

Since the provision of government initiatives, it was reported that many local companies had utilised the initiatives to embark on a new growth path (EDB, 1993). Some of these companies had emerged and grown to become successful enterprises in their respective field. As a result of external



influences, it is anticipated that local companies would develop a good system of formal strategic planning closely allied with the government and foreign MNCs to chart their growth path ahead and venture abroad. The influence of the government, foreign MNCs and internationalisation would have encouraged them to formalise their strategic planning. These anticipations have prompted the author to carry out this research, to examine whether or not the utilisation of government initiatives, the servicing of foreign MNCs, and the extent of internationalisation have possessed a significant influence on local companies' strategic planning process. It also examines to what extent these external influences have encouraged them to plan formally and strategically.

## 1.2 THE SCOPE OF THIS RESEARCH

The scope of this research focuses mainly on two groups of local companies; namely, high-growth local companies and other local companies, to examine and compare the extent of external influences on their strategic planning process. It also examines the difference in their strategic planning behaviours as a result of the external influences. The definition of a “local” company used in this research followed the definition adopted by the Economic Development Board [EDB] of Singapore. According to the Economic Development Board [EDB] of Singapore, a company is considered as “local” if the company has at least 30 per cent local entity. In other words, the company must have at least 30% of its shares held by local or permanent residents. This definition has also been used by the Economic Development Board [EDB] of Singapore as one of the criteria to qualify local companies for the utilisation of government initiatives (EDB, 1989).

High-growth local companies, as defined in the context of this study, are “local” companies that had achieved high growth performance in their operating profits and sales turnover<sup>1</sup>. The use of these two variables to define

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<sup>1</sup> These are some of the criteria used by the Andersen Consulting group and The Business Times to determine local companies for the ‘Enterprise-50’ award.

high-growth local companies is consistent with the government in determining the growth performance of local companies for the 'Enterprise 50' award. High-growth local companies are considered as an elite group of local companies in Singapore. They are on the fast track, growing rapidly and expanding their business overseas. Other local companies, as defined in the context of this study are local companies other than those considered as "high-growth" by the Singapore government<sup>2</sup>.

This research only considers three major external influences; namely, the utilisation of government initiatives, the servicing of foreign MNCs and the extent of internationalisation on strategic planning process of local companies as these influences are of major interest to the Singapore government and local companies. The findings of this research would reflect the specific Singapore context, the theoretical and practical influence of which is the main focus of this thesis. While a number of strategic planning processes are being considered and discussed in the literature, this research focuses mainly on the classical planning approach, as this is the unique influence emphasised by the government and the validation imposed by foreign MNCs.

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<sup>2</sup> One limitation of using this definition is that some other local companies, which were in fact, high growth, were not considered. This number, however, may not be significant.

According to the SME Master Plan, the government intends to be selective in providing the initiatives. The plan spells out clearly that:

*“.....The objective is to help local companies that possess the critical mass, commitment, capacity and capabilities to grow and develop.....”*

*(EDB, 1989, pp. 3,11)*

These companies must possess the necessary factors for success by adding values to their people, products and capital. This study used the cluster sampling method to determine and select the two research samples for this research, as it would be difficult, if not impossible, to include all of the local companies in Singapore. Moreover, not every local company in Singapore has the capacity and capabilities to utilise government initiatives, servicing foreign MNCs and invest overseas which is the main focus of this thesis. The advantages and limitations of using the cluster sampling method



over the random sampling will be discussed in more details in chapter 5 of this thesis. The two research samples were taken from the listing of the “Enterprise-50” award and the Association of Small and Medium-sized Enterprises [ASME]. It comprised of local SMEs<sup>3</sup> and local companies that have grown beyond the SME status.

### **1.3 THE AIM OF THIS RESEARCH**

The aim of this research is to achieve specifically the following three objectives. The first objective aims to examine and compare the profile of high-growth local companies and other local companies in Singapore. It also aims to investigate the extent of their involvement with the government, foreign MNCs and internationalisation.

The second objective aims to examine the influence of utilising government initiatives, servicing foreign MNCs and internationalisation on

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<sup>3</sup> Local SMEs as defined in this study are companies with fixed assets of under S\$12 million in the manufacturing sector, and under 50 workers in the services sector (EDB, 1993).



the strategic planning process of local companies. The extent of each external influence will be analysed and examined separately to determine and compare its impacts on the strategic planning process between high-growth local companies and other local companies.

Lastly, the third objective aims to examine and compare, between high-growth local companies and other local companies, their strategic planning behaviours as a result of the external influences. It also aims to determine whether or not they have utilised the classical planning approach to formalise their strategies.

The theoretical contribution of this research involves the investigation of the unique context of Singapore on the robustness of the conventional models of planning in smaller businesses. The result of external influences means that local companies would undertake a much more formal strategic planning than the conventional Western literature and models would indicate. Given the initial understanding of the Singapore context and the potential of high-growth local companies, three research questions are formulated, and will be answered by this research as follows:

1. Whether or not high-growth local companies are more likely to involve with the government, foreign MNCs and internationalisation than other local companies?
2. Whether or not high-growth local companies, as a result of their involvement, are more likely to be influenced by the government, foreign MNCs and internationalisation on their strategic planning process than other local companies?
3. Whether or not high-growth local companies, as a result of the external influences, are more likely to carry out formal and rigorous strategic planning than other local companies?

## **1.4 THE MOTIVATION OF THIS RESEARCH**

The motivation to carry out this particular research was derived from the following circumstances. First, there has been, hitherto, no major study carried out to explore the issue of the government's and foreign MNCs' interventions in aid of formalising local companies' strategic planning process. This is the main motivation. It was derived as a result of the recent development of the economic policy to support the growth of local enterprises in Singapore. In view of the government's interventions, and the dependence of local companies on foreign MNCs and internationalisation for their business survival and growth, it is interesting to examine the extent of their influences. The findings are important and would contribute significantly to the literature and the conventional models of planning in smaller businesses.

Second, there were, hitherto, only a few studies carried out in Singapore to examine the strategic planning behaviour of local companies. Moreover, these studies either concentrated on a specific group of local companies (Ghosh, 1992) or companies in a particular industry sector (Tan, 1996). Although the earlier studies had provided some indications on local companies' strategic planning behaviours, these studies may not describe the

planning behaviour of local companies sufficiently because of poor response rate (Tan, 1996) and small sample size (Ghosh, 1992).

No doubt, there have been many studies on strategic planning carried out in the Western countries, particularly in the United States [U.S.] and United Kingdom [U.K.], their findings may not describe the planning behaviour of local companies in Singapore as its business environment is quite different from the Western countries. Unlike the Western countries, the economic development of Singapore is unique in that the government primarily leads the economy, which is dependent significantly on foreign investments and internationalisation.

Lastly, many of the past empirical researches did not differentiate high-growth companies and other companies in their analysis. These two groups of companies can be quite different in many aspects, for example, in their growth rate, organisational size, management practices and strategic planning behaviour. The motivation of this study is derived to fill this gap to examine their planning behaviours using comparative study.



## **1.5 THE IMPORTANCE OF THIS RESEARCH**

This research is important and would contribute to the literature in the following ways. First, this research is the first of its kind in Singapore to explore the influence of utilising government initiatives, servicing foreign MNCs and internationalisation on strategic planning process of local companies. These findings would be of major interest to the Singapore government and local companies. It would provide the relevant policy makers and government agencies with useful information that would help local companies formalise their strategic planning closely allied with the government and foreign MNCs, and prior to internationalisation. It would also provide a framework for future similar research.

Second, this research describes the formal strategic planning behaviour of local companies more sufficiently than the earlier studies. Due to the lack of this factual information, comparative study pertaining to the formal strategic planning behaviour of local companies, between Singapore and the Western countries, is difficult, if not, impossible.

Third, this research fulfils the need to compare and contrast the formal strategic planning behaviour between high-growth local companies

and other local companies. It would illuminate the hitherto Western biased models, which prior to that, is lacking of this factual information. Future studies, as a result, can be conducted in the Western countries using a similar comparative analytical method to test the conclusion of this research.

Lastly, this research determines the profile of high-growth local companies and other local companies in Singapore. This information would be useful for future study to compare other aspects of their planning behaviours or in other research areas that require comparative analysis between the two groups.

## **1.6 THE STRUCTURE OF THIS THESIS**

This thesis has eight chapters. Chapter 1 gives an introduction to the thesis. Its contents have just been discussed. Chapter 2 briefly discusses the economic development of Singapore to provide readers with an overview of the Singapore business situation that has prompted the author to carry out this research. The chapter also reviews the local enterprise sector in Singapore, and discusses the economic policy aiming to integrate the development of local enterprises into the national strategic plan, to develop a core of high calibre entrepreneurs and world-class companies in Singapore.

Chapter 3 reviews the literature to provide a broad and comprehensive base to formulate research hypotheses. It discusses topics relating to strategic planning in smaller businesses, the role of planning, its different approaches and the strategic planning models developed for smaller companies. Specifically, the chapter also reviews, from past empirical researches, the internal and external influences on strategic planning process of smaller companies, and the role of external consultants to help these companies formalise their strategic planning. Finally, it argues that smaller companies should also engage in a formal strategic planning process.



Chapter 4 describes the formulation of research hypotheses that form the basis upon which the questionnaire was developed. The chapter also describes how each hypothesis was built on previous studies. There were, altogether, four research hypotheses being formulated to determine and compare the extent of external influences on the strategic planning process between high-growth local companies and other local companies. This chapter also describes how each hypothesis provides a new understanding and contribution to the strategic management theory and the literature.

Chapter 5 discusses the research design and methodology used in this research, based on the general principles from the research methodology literature. Two research samples; namely, high-growth local companies and other local companies, were selected for this comparative study. This research used the mailing of a self-administered questionnaire method to collect primary data for analysis. The chapter also discusses the limitations of using this method and the research samples.

Chapter 6 presents the analysis of the quantitative findings using the 'SPSS' statistical software. The tools that were utilised in the analysis included the frequency distribution method, the *t*-test analysis method, and



the Pearson correlation method. The analysed results are tabulated and presented using tables to facilitate the discussion. Chapter 7 discusses the analysed results in accordance to the research questions and the hypotheses. The analysed results are summarised at the end of the chapter. Finally, chapter 8 presents the conclusion of this research. It also highlights its limitations, and gives suggestions for further research.

# CHAPTER 2

## The Singapore Economic Development

---

"We can change our orientation. We can alter our social climate to become more encouraging and supportive of enterprise and innovation. We can enthuse a younger generation with the thrill and the rewards of building an external dimension to Singapore. We can and we will spread our wings into the region and then into the wider world."

The senior Minister, Mr. Lee Kuan Yew  
at the business awards ceremony '92.

This chapter gives an overview of the economic situation in Singapore after the country gained its independence from Britain in 1959. It provides an important background in which this research was undertaken. The chapter first reviews the economic development of Singapore and then

the Strategic Economic Plan [SEP] which was formulated by the Economic Development Board [EDB] of Singapore in 1986, to set specific directions for Singapore in the next phase of its economic development. The chapter continues to review the local enterprise sector in Singapore, and discuss the important roles of local companies to help Singapore strengthen its economic base. The chapter also discusses the challenges faced by local companies and the new economic policy aiming to help local companies develop at every stage of their growth. This chapter is considered as one of the main pillars of the thesis. Reference shall be made to this chapter by other chapters in the thesis.

## **2.1 AN OVERVIEW**

Singapore is a small country located at the southern entrance of the Straits of Malacca, beneath the peninsula of Malaysia. The island had been a fisherman's town before it was chosen by Sir Stamford Raffles of the East India Company in 1819 to form a British maritime base for its trade in the Malay Archipelago and the Far East. Being a small island, having a land area of 618 square km with no natural resources, trade naturally was the cornerstone of its economic development. The island, subsequently, had become an important commercial and trading centre in the Southeast Asia after the end of World War I. The main trading activities continued which involved importing manufacturing goods from the world for re-export, and exporting raw materials produced in the region to the world. The trading activities, however, were very limited. Manufacturing was considered as a less important activity and a secondary industry sector. The activity involved primarily the processing of imported raw materials and manufacturing of simpler consumer products. Most industrial establishments were small which accounted for more than 95% of the establishments (Chew, 1988). The level of technology was primitive which involved low value, labour-intensive manufacturing. There was no known policy or systematic plan to stimulate



industrial development. Banking facilities were totally absent. The only source of funds to set up businesses came wholly from family members.

In 1960, a year after Singapore obtained self-government from Britain, the new government immediately embarked on a deliberate strategy to industrialise the Singapore economy. It was realised then that mainly dependent on trade was unreliable as the neighbouring countries had begun their direct trade and developed their own industrial infrastructure. Industrialisation was considered as a logical step to develop the economy as there was a need to overcome the massive unemployment problem during that period as normal expansion of traditional trade and services were unable to create sufficient jobs for its people. In 1961, the government set up the Economic Development Board [EDB] as its first agency, to promote industrial development by encouraging foreign Multinational Corporations [MNCs] to invest in Singapore.

The industrialisation programme was started with an initial objective of making Singapore a manufacturing as well as a trading centre of the federation of Malaysia. Import-substituting industrialisation was encouraged to provide manufacturers with an opportunity to exploit the then anticipated

large pan-Malay [Malaysia and Singapore] common market<sup>1</sup>. This strategy, however, was not successful and had to be replaced by export manufacturing in 1965, owing to the loss of the pan-Malaya common market after Singapore separated from Malaysia to become a sovereign [independent] nation.

In 1967, two years after Singapore had become an independent country, the new elected government introduced what was known as the 'Economic Expansion Plan' to expand the investment of export-oriented, labour-intensive manufacturing. The plan had introduced various incentives which included a relief from Income Tax which allowed profits on the export of manufactured goods to be taxed at an equivalent of one-tenth of the normal company tax rate; that is, at an effective tax rate of 4%. Other incentives in the plan included the unlimited duty-free import of equipment, machinery and raw materials needed for industrial expansions, as well as accelerated depreciation allowances for tax relief and greater discretion on labour matters. This strategy was timely and adopted during the period when the world economy was booming and foreign MNCs were looking for low-cost areas to assemble their products for re-export.

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<sup>1</sup> At that time, Singapore was part of Malaysia.

**Table 2.1.1 Foreign investment in manufacturing by country of origin, (1970 - 1975)**  
**Gross Fixed Assets in S\$ 'million**

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
USA	343	501	840	992	1082	1118
Japan	68	108	137	237	354	454
Europe	423	641	900	954	1034	1170
of which						
EC	406	616	863	912	996	1110
Sweden	3	5	4	6	3	22
Switzerland	12	17	27	31	27	29
Other European						
countries	} 2	3	6	5	8	9
Others	161	325	406	476	584	638
<b>Total</b>	<b><u>995</u></b>	<b><u>1575</u></b>	<b><u>2283</u></b>	<b><u>2659</u></b>	<b><u>3054</u></b>	<b><u>3380</u></b>
EC	406	616	863	912	996	1110
UK	199	294	375	390	424	481
Netherlands	183	275	356	381	420	473
Germany	3	21	96	102	106	105
France	8	10	15	17	21	22
Other EC						
countries	13	16	21	22	25	29

Source: Economic Development Board, Annual Report 1982/83.

Between 1970 and 1975, foreign capital investments in Singapore had increased significantly from S\$995 million in 1970 to S\$3,380 million in 1975 (Table 2.1.1). The US-based companies were the major investors, invested over an average of S\$813 million [over the six years period] in their gross fixed assets, and followed by the European- and Japanese-based companies.

**Table 2.1.2 Output and work given out by manufacturing establishments, (1968 - 1983)**

	1968	1973	1983
Total output (\$'000)			
Small	484,953	1,053,046	4,313,819
Medium	694,078	752,047	3,389,551
Large	996,637	6,132,981	29,518,149
Work given out (\$'000)			
Small	7,384	18,944	285,240
Medium	3,957	17,145	164,391
Large	7,638	94,631	547,254
Work given out			
Total output (%)			
Small	38.9	14.5	28.6
Medium	20.8	13.1	16.5
Large	40.3	<u>72.4</u>	54.9

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Source: Singapore, Department of statistics, Report on the Census of Industrial Production, various year, EDB.

An increase in foreign investments, as a result, had resulted in an ever increase in the number of local subcontractors. Subcontracting companies were needed to supply production parts of considerable variety and small volume that were either difficult or uneconomical for large foreign MNCs to produce in-house. In 1973, the work given out by large establishments accounted for 72.4% which led to an ever increase of local companies in the manufacturing sector (Table 2.1.2).



Between 1961 and 1975, local companies in the manufacturing sector had increased four-fold, from 514 establishments in 1961 to 2,051 establishments in 1975 (Census of Industrial Production, 1961-1975). The employment contributed by local companies had also increased at the same rate. Their value-added to the economy had increased ten-fold, from S\$75 million in 1961 to S\$737 million in 1975. Foreign investors, however, continued to dominate the economy. The unemployment rate in Singapore dropped significantly, from 8.9% in 1966 to 3.6% in 1978, resulted in an importation of unskilled foreign labours to make up for the shortfall in the local labour supply (Yearbook of Statistics, 1966-1985).

In 1979, the government launched what was known as the 'Second Industrial Revolution' to restructure the economy into one based on high-value activities. The rationale for adopting this strategy was to lessen Singapore reliance on foreign labours for its continuous economic expansion, and also to avoid direct competition with its neighbouring 'low-wage' countries in labour-intensive activities. Local companies, hence, were encouraged to engage in activities not only in production, but also in design, product development, technical services, marketing, distributions, and fund management for the regional market. The 'Corrective Wage Policy' of

recommending a wage increase of 20%, introduced by the National Wages Council [NWC] for three consecutive years, was made deliberately to increase the labour cost in Singapore to discourage low-skill, labour-intensive activities. Other measures to discourage low-skill production included tariff revisions and restrictions on importation of foreign labour. At the same time, however, extremely generous taxes and fiscal incentives were introduced for newly set-up capital-intensive industries. Industrial training was also intensified to increase the productivity level of the workforce. Various government initiatives were given to help local companies upgrade and automate their production, and to take on more active and supportive roles in servicing foreign MNCs.

After two-and-the-half decades of the economic development, Singapore economy has undergone a metamorphosis, transforming from one solely dependent on trade of basic commodities into a high-tech manufacturing and services centre in the Asia Pacific region. This development could not have happened without the support of local companies and foreign MNCs, leading by the government.

Presently, pure manufacturing production had declined and replaced by capital and knowledge-based activities. The “high-tech” manufacturing sector has now become the main engine of the economic growth, followed by the services sector that is the second engine. The growth rate of Singapore economy had been considered as one of the highest in the world. The average economic growth rate in Singapore was 8.3% yearly over the last two decades (World Economic Forum and IMD, 1991-1993). Per capita income grew to an estimated value of US\$10,056 that enabled Singapore to surpass some of the Organisation for Economic Co-operation and Development [OECD] countries. Per capita reserve accounted for S\$21,000 which surpassed many of its neighbouring countries in the region.

The economy of Singapore, however, is facing new challenges and severe competition continuously as a result of the economic development of the regional countries and the competitive global economy. This development has affected local companies significantly. On their part, they need to take the advantage of the industry-wide initiatives provided by the government to develop into high calibre companies in order to forge a mutually beneficial symbiotic relationship with foreign MNCs. At the same, they need to equip themselves by building up their strengths and acquiring



new business capabilities to venture into international strategic alliances. Local companies in taking part of the economic development would have experienced the impacts of external influences from the government, foreign MNCs and internationalisation which was not described in the conventional Western literature and models of small businesses. The following sections shall continue to review the Singapore Strategic Economic Plan [SEP], the local enterprise sector, the role of local companies, the challenges faced by these companies, and lastly, the local enterprise development policy aiming to help local companies develop in every stage of their growth.

## **2.2 THE STRATEGIC ECONOMIC PLAN**

Prior to the 1985 economic recession, local companies had always been relegated mainly to a subordinate role to foreign MNCs. They were promoted and assisted mainly to ensure that foreign MNCs were able to obtain reliable and efficient supporting services locally. The development strategy of local companies focused mainly on the supporting industries and related services to attract more foreign investments, and hence, large foreign



companies to invest in Singapore. Fortunately, these large foreign companies had brought with them the much-needed capital, modern technology and managerial skills. They had created employment opportunities for local labour force in the early days when the unemployment was high. They had also provided an access for local companies to the world market through their global distribution networks. These foreign MNCs, together with the support of local companies, had contributed to the economic success of Singapore in the 1970s and the early 1980s.

After the economic recession, the government, however, had realised that, besides having local companies to support foreign MNCs, these local companies could and should play a more enhanced role in creating a more balanced and stable economy for Singapore. It was realised that they are a source of entrepreneurship and innovation, and the kernel of future successful indigenous companies that could grow into the operation of a global stature. Immediately after the economic recession, an economic committee was set up to review the progress of the Singapore economy, and to identify new directions for its future growth. A report of the committee which was released in 1986, recommended that the government should strengthen local companies and help them develop into local MNCs

(Ministry of Trade and Industry, 1986). It was also recommended that the Singapore economy should also avoid from being too over-dependence on foreign MNCs. According to the Strategic Economic Plan [SEP], it stated that:

*‘.....[Although] MNCs have played a major role in Singapore development in the past 25 years.....Heavy dependence on foreign investment may result in slower growth in the longer term.....Some innovative approaches are needed to accelerate the development of local MNCs.....’*

*(Ministry of Trade and Industry, 1991)*

The Strategic Economic Plan [SEP] also stresses that ‘high-calibre’ local companies should be encouraged to invest overseas to help Singapore build an external economy. Declared by the Prime Minister of Singapore, Mr. Goh Chok Tong, he said that:

*‘.....Going regional is part of Singapore’s long-term strategy to stay ahead to make our national economy bigger and our companies stronger. Local companies.....shall be the key players of the manufacturing, services and commerce sectors, supporting the Multinational Corporations [MNCs], and also establishing strong footholds in the Asia-Pacific region, and actively participating in the rapidly growing economies of the region.....’.*

*(EDB, 1993)*

Developing a balanced, vibrant and resilient economy for Singapore is the long-term strategy of the government. Given its small and limited domestic market, it is vital for Singapore to expand its economy globally to sustain its continuous economic growth. This has called for local companies to venture first into the region, and then into the international market to expand the Singapore economy. The ability of local companies to forge

mutually beneficial symbiotic relationships with foreign MNCs, and to venture abroad depends greatly on their capacity and capabilities. The lack of capacity and capabilities has to be met by the government's supports to help them equip by building up their own strengths and acquiring new business capabilities through close co-operation and collaboration with foreign MNCs.

## **2.3 LOCAL ENTERPRISE SECTOR IN SINGAPORE**

In all national economies, a majority of business firms are SMEs. In the United States [U.S.], for example, of the roughly 19 million businesses in the country, about 97% of them were categorised as SMEs (Hale, 1992). Out of these businesses, approximately 99% employed fewer than 100 people. In the United Kingdom [U.K.], the number of enterprises employed less than 100 people accounted for 96.4% (Hall, 1995). Although the contribution made by SMEs to an economy varies widely from one country to the other, they typically make up about 98% of enterprises, contributing over 50% of



employment, about 50% of Gross domestic product [GDP], and over 35% of exports.

In Singapore, local SMEs<sup>2</sup> also form a large part of its economy. According to a statistical report, they were about 70,000 local companies in Singapore, of which 98.7% of them were SMEs (EDB, 1993). Local companies, including SMEs, constituted about 90% of the establishments, employed 65% of the working population, and contributed to more than half of the total value-added in Singapore (see Table 2.3.1).

**Table 2.3.1 Contribution of local companies to the economy**

	Local SME	Local Large <sup>3</sup>	Foreign	Total
Number of establishments	69,452 (86.8%)	896 (1.1%)	9,718 (12.1%)	80,066 (100%)
Employment (‘000)	394.0 (42.3%)	214.4 (23.0%)	326.6 (34.7%)	931.0 (100%)
Value-added (S\$ billion)	13.0 (25.2%)	14.5 (28.1%)	24.2 (46.7%)	51.7 (100%)

Source: EDB (1993), *Growing with Enterprise: a National Effort*, p. 71.

*\*VALUE ADDED is defined as the additional value generated by the industrial activity of the establishment. It is derived as the difference between the value of gross output and that of total input and work given out.*

<sup>2</sup> Local SMEs as defined in this study are companies with fixed assets of under S\$12 million in the manufacturing sector, and under 50 workers in the services and commerce sectors (EDB, 1993).

<sup>3</sup> Local large as defined in this study are companies with fixed assets of more than S\$12 million in the manufacturing sector, and more than 50 workers in the services and commerce sectors (EDB, 1993).

The number of local companies, especially in the SME sector, has continued to grow, with new entrants increasing by an average of 21,000 establishments per year (EDB, 1993). It has been reported that although the average yearly attrition rate is about 15,000, there is a net addition of 6,000 new enterprises entering into the economy each year. The rapid growth rate of local companies is as a result of the following factors:

- (1) A structural shift away of economy towards manufacturing and services sectors has accounted for a disproportionately large number of local companies being set up in the above two sectors. The fastest growth rate is in the finance, property and professional services.
- (2) Development of modern technologies such as modems, personal computers and fax machines has been the fundamental reason for the establishment of new enterprises. This development has enabled local entrepreneurs to start up their business quickly, and become efficient in their service delivery.

- (3) The emergence of a high technological development in the manufacturing sector, especially in the area of micro-electronics, computing, telecommunication and information technology, has spawned a host of new products and processes particularly suited to exploitation by local companies.
- (4) Changes in the behaviour and organisational structure of large companies have resulted in an increase of subcontracting activities, management buy-outs and franchising, all of which provide opportunities for new start-up.
- (5) The promotion of entrepreneurial culture led by the government, and the provision of government initiatives has provided an environment that is conducive to the start-up of new enterprises.

It has been reported that the new-generation entrepreneurs are more energetic, dynamic, visionary and international in their outlook than those of the past (EDB, 1993). Most of these entrepreneurs are the second-generation



Singaporean setting up their own business, with some taking over the family business. They are more outward oriented in their mindset that can be reflected in their strategic planning. The quality of the new entrants in entrepreneurship has also improved substantially. According to the study by the Department of Statistics, out of the total number of 65,852 SMEs in 1984, 46% of the firms are still operating after 10 years (Department of Statistics, 1997). This figure is higher than the 'norm' when comparing with the survival rate of SMEs in some developed countries (Table 2.3.2).

**Table 2.3.2 Survival rates of SMEs in some developed countries**

Economy	Survival rate (%)	Economy	Survival rate (%)
USA	38	France	48
Australia	17	Germany	63

Source: Department of Statistics of Singapore, 1997.

### **The Manufacturing Sector**

Referring to Table 2.3.3, it reveals that the number of local companies in the manufacturing sector constituted about 79% of the total number of establishments, of which 77.4% of them were local SMEs. Although local companies constituted more, in terms of the number of establishments, they



only employed 43.3% of the working population, and contributed 29.2% of the total value-added to the economy. Table 2.3.3 reveals that foreign companies were the main contributors in the manufacturing sector. Although these foreign companies constituted only 20.8% of the establishments, they employed more than half (56.7%) of the total workforce, and contributed 70.8% of the total value-added to the economy.

**Table 2.3.3 Contribution of local companies in the manufacturing sector**

	Local SMEs	Local large	Foreign	Total
Establishments	2,867 (77.4%)	67 (1.8%)	769 (20.8%)	3,703 (100%)
Employment (‘000)	121.7 (34.6%)	30.5 (8.7%)	199.5 (56.7%)	351.7 (100%)
Value-added (S\$ billion)	4.3 (20.0%)	2.0 (9.2%)	15.3 (70.8%)	21.6 (100%)

Source: EDB (1993), *Growing with Enterprise: a National Effort*, p. 71.

Since 1960s when Singapore started its industrialisation programme, local companies have begun to improve their performance and become more competitive in the international market. More capable local companies have

begun to venture overseas. According to the Census of Industrial Production (1995), although the amount of outputs produced by local companies accounted to S\$29 billion or 24.4% of the total, nearly half of their products (43.8%) were exported overseas. The main export destination is the United States that accounted for 30% of the total domestic exports. Other Asian countries are also considered important markets for Singapore domestic exports on the regional basis. The main Asian destinations include Malaysia, Hong Kong, Japan and Thailand. Important markets in Europe are Germany, the Netherlands, and the United Kingdom.

### **The Commerce Sector**

The number of local companies in the commerce sector constituted nearly 95% of the total number of establishments, of which nearly 94% of them were local SMEs. Altogether, local companies employed 82.2% of the working population, and contributed 58.3% of the total value-added to the economy (see Table 2.3.4).

**Table 2.3.4 Contribution of local companies in the commerce sector**

	Local SMEs	Local large	Foreign	Total
Establishments	40,616 (93.9%)	447 (1.0%)	2,214 (5.1%)	43,277 (100%)
Employment (‘000)	170.6 (61.0%)	59.3 (21.2%)	49.8 (17.8%)	279.7 (100%)
Value-added (S\$ billion)	4.3 (37.4%)	2.4 (20.9%)	4.8 (41.7%)	11.5 (100%)

Source: EDB (1993), *Growing with Enterprise: a National Effort*, p. 71.

A majority of the companies in the commerce sector were local SMEs such as retailers. There were concerns over their low productivity and high labour intensity. The ‘Retail Sector Futures’ survey conducted by the National University of Singapore [NUS] and National Productivity Board [NPB] revealed that there was a lack of professionalism among the small retailers (EDB, 1989). There were, however, signs of these small retailers adjusting to the rapidly changing life-style, as well as concentrating on improving productivity, and applying proper management practices and professional services to compete in the domestic market.

## The Services Sector

The number of local companies in the services sector constituted nearly 80% of the total number of establishments, of which 78.5% of them were local SMEs. Altogether, local companies employed 75.5% of the working population, and contributed 78.3% of the total value-added to the economy (see Table 2.3.5).

**Table 2.3.5 Contribution of local companies in the services sector**

	Local SMEs	Local large	Foreign	Total
Establishments	25,969 (78.5%)	382 (1.1%)	6,735 (20.4%)	33,086 (100%)
Employment (‘000)	101.7 (33.9%)	124.6 (41.6%)	73.3 (24.5%)	299.6 (100%)
Value-added (S\$ billion)	4.3 (23.4%)	10.1 (54.9%)	4.0 (21.7%)	18.4 (100%)

Source: EDB (1993), *Growing with Enterprise: a National Effort*, p. 71.

The services sector under the Census of Services is categorised into five main groups. A majority of local companies concentrated on real estate and business services. These services contributed the largest share, in terms of the number of establishments (37.6%) and employment (37.2%) to the



sector, followed by community, social and personal services, and transport and communication services (see Table 2.3.6).

**Table 2.3.6 Contribution of local companies by services groups**

<b>Individual service grouping</b>	<b>Establishments</b>	<b>Employment</b>
Transport & Communication Services	16.4%	23.5%
Financial & Insurance Services	10.0%	5.5%
Real estate & Business Services	37.6%	37.2%
Community, Social & Personal Services	24.3%	24.8%
Non-Profit Organisations	11.7%	9.0%
Total	100.0%	100.0%

Source: Census of Services 1995, EDB.

According to the Census of Services (1995), a majority of companies in the services sector were small enterprises. It has been reported that nearly 88% of the companies employed less than 10 workers. In contrast, large local companies, although constituted slightly more than 1% of the total number of establishments, employed nearly half of the total working population, and contributed more than half of the total value-added to the economy (see Table 2.3.5).

The review of local enterprise sector in Singapore has indicated the significant presence of local companies. Except for the manufacturing sector that is dominated mainly by foreign companies, local companies in the other sectors had contributed a larger share, in terms of the number of establishments and employment, to the economy. Given the significant presence of local companies, it can be expected that, besides being dependent on foreign MNCs, the future economic growth of Singapore also have to depend significantly on their participation. The following section shall discuss the important role of local companies in Singapore.

## **2.4 THE ROLE OF LOCAL COMPANIES IN SINGAPORE**

The role of local companies in Singapore is regarded as a key source of entrepreneurship and innovation. It has been realised that they play a vital role in the economic development, not only as dynamic innovative organisations, but also collectively, as constellations of organisations in supporting foreign MNCs (Ministry of Trade and Industry, 1991). Over the past three decades, the economic growth of Singapore had been

characterised by rapid changes in the industrialisation process. This has been possible only through the actions and decisions of local companies and foreign MNCs. Although foreign MNCs had provided the greatest share of investments in Singapore, in particular, in the manufacturing sector, the contribution made by local companies has also been significant.

In answering to the initial calls for import-substitution efforts, local companies had played an important role in producing end-products and supporting the activities of foreign MNCs by supplying critical parts, components and services which were uneconomical for them to produce in-house. Drawing on their traditional strengths, local companies together with foreign MNCs had helped Singapore embarked on an over three decades of export-led growth. This has resulted in an emergence of Singapore as a manufacturing and services hub in the region, and an attractive location for foreign investments.

In the next phase of the Singapore economic development, local companies have to evolve from their trading and light industry base to undertake a broad spectrum of modern economic activities. They not only will form a key component in the manufacturing, services and commerce



sectors, continuing to support foreign MNCs, but also, to establish strong footholds in the Asia Pacific region. Highly flexible and full of vitality, they will form an embryo from which future local MNCs will develop. They are a receptacle for international technology and knowledge transfer, forming a vital link in value chain of global businesses.

The Singapore government has realised the great potential of local companies to further strengthen Singapore economic position in Asia. The role of local companies has now become one of the driving forces and pillars behind future Singapore economic growth. Their involvement is expected to continue, and contribute towards a more balanced, vibrant and resilient economy in Singapore. It will be, therefore, the interest of the government to continue nurture local companies, as their contributions would be one of the key determinants for the economic success of Singapore.



## **2.5 THE CHALLENGES FACED BY LOCAL COMPANIES IN THE NEW MILLENNIUM**

In the new millennium, local companies face many new challenges in their business. Given the high standard of living and economic pressure for involving in high value-added activities, they face the challenge of needing to upgrade their operations continuously, and acquiring new business capabilities to improve their product and service quality to meet the high demand and expectation of foreign MNCs.

They are also challenged by global economic pressure and international competition, which force them to look beyond Singapore for their business growth. Local companies, as a result, have to change their mind-sets from being inward-oriented to becoming outward-oriented. They also have to equip themselves by building up their own strengths and formulate business strategies prior to establishing strong regional and international linkages, and inducing close co-operation and collaboration with foreign MNCs.

The next phase of Singapore economic development would require local companies to maximise their resources and increase their productivity,

while taking skilful advantage of business opportunities in the region and elsewhere in the world. It is expected that they would take the full advantage of the industry-wide initiatives provided by the government to upgrade their capacity and capabilities, and restructure their business into a more competitive and efficient entity in order to work closely with foreign MNCs and invest overseas.

## **2.6 THE LOCAL ENTERPRISE DEVELOPMENT POLICY**

After the economic recession in 1985, the government has placed an increasing emphasis on measures to support local companies. The emphasis is largely based on the premise that such companies would provide a powerful medium for economic regeneration, and for enhancing national rates of technological innovation and international competitiveness. Prior to the recession, the economic policy focused mainly on foreign MNCs, and as a result, it had a crowding out effect on local companies. The government, then, had been too obsessed by the policy of attracting foreign MNCs, to the extent that there was little effort being made to promote local companies in a

scale as that of promoting foreign MNCs. The early government initiatives were provided mainly upon those local companies in the supporting and related services industries, largely aiming to attract more foreign investments. Local companies were assisted to ensure that foreign MNCs were able to obtain reliable and efficient supporting services in Singapore.

After the 1985 economic recession, the economic policy on local enterprise development has changed dramatically. The recession, in fact, had led the government to realise the importance of having a strong group of local companies in Singapore to increase its competitiveness in the world market. This realisation had resulted in a relatively higher degree of government commitment to develop local companies. The new economic policy, since then, had reinforced an equal emphasis placed on promoting foreign MNCs as well as local enterprises. The first objective of promoting local companies is to strengthen them so that they can continue to support foreign MNCs to meet their demands and expectations. The second objective is to develop high-calibre local companies into MNCs, to avoid Singapore from being too over-dependence on foreign companies.

The government's commitment to develop local companies has been symbolised and reflected in the setting up of the first official "Small Business Bureau" [SBB] department within the Economic Development Board [EDB] of Singapore in 1986. This Bureau was subsequently expanded and renamed as "Small and Medium Enterprise Division" [SMED] in 1989, to emphasise the fact that the government is also committed to help larger companies. It was later restructured in 1990 and renamed as "Enterprise Development Division" [EDD], to broaden its role and act as the central co-ordinating agency for the government.

A strong government's commitment to support local enterprise development is also reflected in the SME Master Plan. This plan which was released in May 1989, contains the first comprehensive government documents, policies and initiatives, aiming to help local companies in every stage of their growth. The SME Master Plan stated that:



*‘.....The task of promoting local enterprise development in Singapore is an important and urgent one.....Priority, therefore, has been given to promoting local enterprise development as the first phase of the overall effort to promote our own world-class enterprises.....’*

*(EDB, 1989)*

The SME Master Plan marks the first phase of national effort to develop local companies and help them cope with new challenges. It has prompted local companies to examine their problems and business needs, and improve their operating efficiency and managerial capabilities. Acknowledging the contribution of foreign MNCs for technology transfer and international market links, generous incentives were also provided to help local companies upgrade and establish symbiotic ties with foreign MNCs. The second phase of local enterprise development aims to groom ‘high-calibre’ local companies into local MNCs by stimulating and

accelerating their growth. The SME Master Plan has given these companies a vision,

*‘.....To ‘innovate and grow’, targeted at international markets, and become world-class enterprises.....’*

*(EDB, 1989)*

While other local companies have been urged by the government to develop with the help of the initiatives to emerge and grow, ‘high-calibre’ local companies are groomed and supported at the same time to venture abroad to exploit their own market niches and develop into world-class MNCs.

## 2.7 THE GOVERNMENT INITIATIVES

Unlike some European countries like Austria and Switzerland, the private sector in Singapore, in the past, did not develop any meaningful institutional capability to support local enterprise development, or assist local companies in any vocational training or skill acquisition. The need for institutional support had to be met by the government. This support, however, has evolved over time from a sole dependence on the government to a partnership arrangement with the private sector. Quoting from the statements declared by the then Senior Minister of State and Ministry of Trade and Industry, Mr Lim Boon Heng, he said that:

*“.....Enterprise development is a national effort.....It involves the contributions and co-operation of both the private and public sectors.....Economic Development Board [EDB] will work hand-in-hand with all relevant bodies to bring about the upgrading and strategic growth of local enterprises in Singapore.....”*

*(EDB, 1993)*

A slogan, “*Growing with Enterprise.....A National Effort*” was launched in 1992 to reinforce the national effort of local enterprise development. Implemented through a wide network of government agencies and private sector organisations, local companies are put in touch with relevant private organisations and government administrators so that they can give extra muscles for local companies to gain a competitive edge.

The rationale for this adoption is to reach out to as many potential<sup>4</sup> local companies as possible, and to avoid the need to set up a separate local enterprise agency, or to duplicate the functions and resources of many existing government agencies. The multi-agency network has also expanded to include foreign MNCs, among others. This enables the government agencies to take on primary task of concentrating mainly on administering government initiatives, advise and help local companies in the following specific areas:

---

<sup>4</sup> Companies which have the capacity and capability to emerge and grow.



### 1. Professionalisation and growth

- Technology adoption, R&D [by NSTB, SISIR, Universities, Polytechnics]
- Business and export development [by EDB, TDB]
- Productivity training [by NPB, NCB, EPC, RPC]
- Computerisation [by NCB]
- Automation [by EDB, ACC]
- Local Industry Upgrading Program [by EDB]

### 2. Providing financial assistance in the form of risk capital

- Financial assistance [by EDB]
- Tax incentives [by ECD, TDB]

### 3. Regionalisation [by EDB, TDB]

**Legend:**

ACC = Automation Applications Centre

EDB = Economic Development Board

EPC = Enterprise Promotion Centres Pte Ltd

NCB = National Computer Board

NPB = National Productivity Board

NSTB = National Science and Technology Board

RPC = Retail Promotion Centre

SISIR = Singapore Institute of Standards and Industrial Research

TDB = Trade Development Board

At the time of writing this thesis, there were more than 60 assistance schemes and programmes provided by the government, to address a broad spectrum of local companies' business needs in every stage of their growth (Table 2.7). The provision of government initiatives has adopted a three prolonged strategy to stimulate and inspire local companies to innovate and grow. The objectives are to:

- (1) create a conducive and pro-enterprise environment;
- (2) provide help for self-help;
- (3) accelerate the pace of growth with incentives.

The first strategy is directed mainly at business in general, especially the new ones. It has been recognised that the new start-ups would have problems of their own such as finance or skills that require assistance. The second strategy aims to assist those businesses that face problems relating to growth and expansion, in areas such as finance, technology and marketing. The third strategy aims to provide assistance such as tax incentives, to encourage local companies to go regional and global.

**Table 2.7 Assistance schemes and programmes of EDB according to the stage of local enterprises' growth**

<u>Start up</u>	<u>Growth</u>	<u>Expansion</u>	<u>Going overseas</u>
Local Enterprise Computerisation Programme	ISO 9000 Certification	Automation Leasing Scheme	Business Development Scheme
Local Enterprise Finance Scheme	Local Enterprise Computerisation Programme	Brand Development Scheme	Double Deduction for Overseas Investment Development Expenditure
Product Development Assistance Programme	Local Enterprise Finance Scheme	Franchise Development Assistance Scheme	
R & D Incubator Scheme Programme	Local Enterprise Technical Assistance Scheme	ISO 9000 Certification	Franchise Development Assistance
Venture Capital	Local Industry Upgrading Programme	Local Enterprise Finance Scheme	Local Enterprise Finance Scheme (Overseas)
	Market & Investment Development Assistance Scheme	Local Enterprise Technical Assistance Scheme	Local Industry Upgrading Programme
	Product Development Assistance Scheme	Local Industry Upgrading Programme	Market & Investment Development Assistance Scheme
	Pioneer Status/ Investment Allowance	Market & Investment Development Assistance Scheme	Overseas Enterprise Incentive/Overseas Investment Incentives
	Skills Development Fund	Pioneer Status/ Investment Allowance	
	Software Development Assistance Scheme	Product Development Assistance Scheme	
	Venture Capital	Skills Development Fund	
		Software Development Assistance Scheme	
		Total Business Plan	
		Venture Capital	

Sources: Economic Development Board, "Growing with Enterprises - A National Effort", 1993

The government's policy of giving assistance, however, is not free gift but is added resources needed to attain certain objectives contained in each program. The non-dole mentality was expressed by the then Minister of Finance, Dr. Tony Tan, in 1983 who argues that:

*'.....It is wrong in principle for an enterprise or a company to require assistance on a permanent basis. In that case, the business is not viable and the most sensible course of action would be for the company to wind up.....'*

*(Tan, 1984, p. 51)*

What the government is providing, in fact, is a mission-oriented type of initiatives that requires local companies utilising it to contribute in return to the economy, and take part in the Singapore economic growth program. According to the SME Master Plan, the government has more intention to help those 'innovative' start-ups and promising local companies which possess the critical mass, commitment, capacity and capabilities, to grow and



develop (EDB, 1989). Local companies therefore must, first of all, possess the necessary factors that meet the government's economic objectives. These factors would have to be reflected in their strategic planning when they submit the plan. It would be expected, however, that 'high-calibre' local companies would formulate a more formal and rigorous strategic planning than other local companies as they work closely with the government and foreign MNCs.

## **2.8 SUMMARY**

This chapter reveals that local enterprise development is crucial to the future economic growth of Singapore. It also reveals that local companies play an important role in creating a more balanced and stable economy for Singapore. Their growth can be accelerated through the utilisation of government initiatives and the support of foreign MNCs. The criteria set to qualify local companies for utilising government initiatives suggest that local companies intending to utilise the initiatives must, first of all, determine their contributions and commitments, and how they could take part in the Singapore economic growth process through formal strategic planning.

Formulating a strategic plan to work closely with the government and foreign MNCs, therefore, is crucial in order to gain their supports. The investigation of the external influences in this study would determine this unique situation in Singapore to test the robustness of the conventional models of planning in smaller businesses described in the literature. It would be expected that the government, foreign MNCs and internationalisation would possess a significant influence on local companies' strategic planning process in encouraging them to undertake a much more formal strategic planning than the conventional Western literature and models would indicate.

# CHAPTER 3

## Literature Review

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Chapter 2 gives an overview of the Singapore economic situation, and the profile of its local companies. It also reveals the need of local companies to engage in formal strategic planning to work closely with the government, collaborate with foreign MNCs and invest overseas. This chapter shall review the literature concerning strategic planning in small businesses and the evidence of external influences on their strategic planning process. Prior to that, it shall also review the roles of planning described in the literature and how it is applicable to local companies in Singapore; followed by a discussion on different approaches to strategy making. The four different approaches discussed in this chapter include the classical, evolutionary, processual and systematic approach. The applicability of these four approaches to strategy making is often debated in the literature.

The chapter would then provide the reasons for considering only the classical approach in this study, and review some of the strategic planning models developed for smaller companies. Finally, it reviews the evidences of external influences on strategic planning process of smaller companies, and argues that these companies should seek help from outsiders. The chapter also discusses the need of smaller companies to engage in formal strategic planning, and reviews their strategic planning behaviours as they developed through different stages.



### **3.1 THE ROLE OF PLANNING**

One of the reasons proposed for planning is that the future will be in some ways different from the present, and therefore, planning is needed to prepare for the change (Bolan, 1974). This important aspect of planning is also expressed in the literature which argues that failure to plan is equivalent to planning to fail (Hax and Majluf, 1984). Undoubtedly, the rate of change of global economies has increased dramatically over the past decades. This change is appearing in Singapore, and it will be more significant in the new millennium. With the evolution of Internet and Information Technology (IT) involving in business, coupled with the recent economic crises in Asia, it has resulted in a change of ways in which businesses are being carried out. The recent economic crisis had also led to uncertainties in the Asia pacific region in which Singapore is also affected. Many local companies, thus, have begun to realise the essential of planning to prepare themselves for the change and economic uncertainties (Starr, 1971; Hax and Majluf, 1984). In the literature, many different roles of planning have been proposed. This chapter shall discuss some of the key roles and how it is applicable to local companies in Singapore.

## **1. Planning to facilitate the making or formulation of better strategies**

One of the key roles of planning, as suggested in the normative literature, is to facilitate organisations to make or formulate better strategies through the use of a systematic, logical and rational approach to strategic planning (Hax and Majluf, 1991). Through formalise planning, not only companies can look into the future more systematically, but they are also able to understand the future implication of the present situation, or consider the present implication of the future events more thoroughly (Loasby, 1967). Henry (1979) has carefully described the roles of planning. He said that it is the function of the most fully developed strategic planning systems today to:

- (1) determine organisational purpose and management philosophy
- (2) identify internal strengths and weaknesses
- (3) monitor changes in the external environment
- (4) forecast future conditions and establish planning premises
- (5) determine threats and opportunities
- (6) formulate specific goals
- (7) identify and evaluate alternative policies and strategies
- (8) select the best strategic plan
- (9) prepare functional action plans

(10) prepare action plans

Based on the above descriptions of planning, it can be expected that these planning systems would help organisations think more deeply, and in the process, formulate better strategies. The author agrees with Porter (1987) who argues that strategic thinking rarely occurs spontaneously. Without formalised guidelines, few managers know what constituted strategic thinking, and are able to make effective strategies. This role of planning is perhaps more obvious in Singapore where local companies need to formulate a long-term strategic plan to work closely with the government, foreign MNCs, and prior to investing overseas. Planning can help them formalise their thoughts and consider long-term decisions. It can also help them tackle problems before it occurs so that they can be in better position to overcome the problems (Loasby, 1967).

According to Hax and Majluf (1991), it is only by enforcing upon organisation into a logical thinking by means of formalised planning with clear goals and defined sequence of tasks that linked to calendar, could it

raise the vision of all key managers in an organisation. In the case of Singapore, planning can help managers reflect creatively on strategic direction of the business to leverage on government initiatives and foreign MNCs' supports. Besides that, it can also enhance group critical thinking and decision-making that force organisations to make their statements explicit, of where they want to go and how to get there. More importantly, it enables organisations to know when they have got there, or how much they have deviated. Nuttal (1978) uses the concept of an organisation "moving from one identifiable state to another" to explain this important role of planning.

## **2. Planning to introduce a discipline for long-term thinking**

Besides formalised strategic thinking, what planning does specifically in this regard is to introduce a discipline for long-term thinking since planning is also thought to be useful in many ways, not only restricted to strategy making (Langley, 1988; Mintzberg, 1994). Hax and Majluf (1991) argue that the nature of managerial tasks is so heavily dependent on taking care of an extraordinary amount of routine duties that unless a careful discipline is instituted, managerial time can be entirely devoted to



operational issues. This is especially true in Singapore where the rapid expansion of the scale of business and its related technologies have been so great that organisations often lead to increased pressures of day-to-day management. Not only are managers busy in their managerial tasks, but also they are overwhelmed with information. Planning, therefore, needs to introduce as a discipline to encourage managers to think of their company's future, and take them into account in their decision-making (Loasby, 1967).

### **3. Planning to co-ordinate and unify corporate directions**

Another key role of planning is to help organisations co-ordinate and unify their corporate functions and directions. This role of planning is perhaps more significant in high-growth companies where they have a greater diversification of products and markets, which resulted in decentralisation of organisation into multi-departmental, divisional or several small business units [SBUs]. This would also lead to an increase of autonomy of different operational units which requires an increased demand for comprehensive planning to allow some forms of "Management by Exception Principle" to operate (Anthony, 1956). Under such circumstances, each business unit would have to prepare detailed plans of their future

intentions, which are subject to top management approval and subsequent satisfactory implementation that each unit is allowed to operate with total autonomy.

With a proper articulation of organisational visions, extended by a mission of each department, division or business unit and an recognition of each functional competencies, planning can be used to co-ordinate, unify and mobilise all key managers' thoughts in the pursuit of agreed-upon and shared objectives. This can be hard to accomplish without the normalisation and co-ordination of a systematic planning system. Hax and Majluf (1991) argue that decisions put together in a single process can ensure that the efforts of an organisation are properly co-ordinated and unified. Porter (1980), thus, claimed in the introduction of his book, "Competitive Strategy", that:

*'.....The emphasis being placed on strategic planning today in firms in the United States and abroad reflects the proposition that there are significant benefits to gain through an explicit process of formulating strategy, to insure that at least the policies (if not, the actions) of functional department are co-ordinated and directed at some common sets of goals.'*

Stoner and Fry (1987) argues that most workers in a company often possess a strong desire to know its direction, and how their efforts could contribute towards attaining the company's overall business objectives. Formalise strategic planning, however, not only helps organisations co-ordinate and unify their corporate functions and directions for internal use, but it also benefits them in providing outside members of the board of directors, advisory board, or shareholders a basis for their analysis. This is essential and particularly important for companies intending to seek for external funding and supports either from the government or foreign MNCs, which allows them to evaluate and provide suggestions for the overall firms' performance.

#### **4. Planning to provide mechanism for communication, network of shared information, and inputs for strategic vision**

Perhaps, this can be considered as the most important role of planning, to provide a mechanism for communication (Hax and Majluf, 1991), or create a network of shared information (Quinn, 1981). In some cases, it also provides inputs for strategic vision that promote active



participation and co-ordination across different departments, divisions, business units or different levels of an organisation (Langley, 1988). The role of planning in this regard is also to promote participation from the outsiders with the intention of the organisation to impress or influence others. In the case of Singapore, it is often used to impress the government and foreign MNCs in order to gain their supports.

Sawyer (1983) wrote of the need of planning to bring the management process of an organisation out of individual minds of one or a few leaders, and into a forum among a management group where it can be shared and discussed; as Zan (1987) pointed out, to help create consensus. This is perhaps why some writers claim that planning is of value in and of itself. Quinn (1980), for example, argues that it is the process of planning that counts because of its capacity to enhance communication in an organisation; for example, by enriching (people's) common understanding of corporate objectives and the business.

Hax and Majluf (1991) argue that planning can provide an opportunity for multiple personal interactions and negotiations at all levels. This is particularly true for high-growth companies where they have a great



diversification of products and markets, and decentralisation of departments or business units. The engaging communicational efforts, the multiple interpersonal negotiations generated, the need to understand and articulate primary factors affecting the business, and the requirement of personal involvement in the pursuit of constructive answers to pressing business questions are what truly make planning their most vital experience.

#### **5. Planning to control others**

Finally, the role of planning is thought to control others. This can be seen as an extension of its role towards implementation (Langley, 1988). In the words of Dror (1971), planning is said to be an activity by which man in society endeavours to gain mastery for himself and shape his collective future by power of his reason. Although this seems to be a touchy subject in the literature, but what's truly meant here is to control others in an organisation whose work has to be co-ordinated and integrated with the planning system. Among the primary responsibilities of planning staff, Schwendiman (1973) has listed some:

1. The corporate planning staff should be responsible for planning the system, and seeing that the steps are being carried out in a proper sequence.
2. The staff should ensure quality, accuracy and completeness in the planning done by others.
3. The staff should be responsible for co-ordinating the overall planning effort, and pulling the individual pieces together.

While the chief executive officer, typically, does not carry out the implementation tasks of the design issues himself, he has to be sufficiently involved in the activities, at least, by setting the directions and controlling the activities. In the case of Singapore where local companies often alliance with foreign MNCs, planning is often used as a mean for foreign MNCs to control the operations of local companies. It is therefore essential for local companies whose work has to be co-ordinated and integrated with foreign

MNCs' requirements to formalise their planning. This is perhaps the only mean whereby a complex strategic alliance can be achieved and managed.

### **3.2 DIFFERENT APPROACHES TO STRATEGY MAKING**

In the literature, different schools of thoughts have emerged as a result of different views to the approaches of strategy making. Mintzberg (1990) has consolidated these different approaches into ten schools of thoughts, which can be summarised in Table 3.2. The first three schools; namely, the 'design', 'planning' and 'positioning' schools, are prescriptive in nature as they seek to explain the "proper" ways of going about the making of strategy. The 'design' school, for example, considers strategy making as a process of conception in using a few basic ideas to design strategy. The premises of the 'design' school cited that the responsibility for strategy-making process rests with the chief executive officer, and that person is the main strategist. It also proposes that strategies must be made explicit, and if possible, articulated. In other words, it has to be kept simple and formulated in a controlled conscious process of thought.

**Table 3.2 Schools of Thought of strategy formulation**

<b>School</b>	<b>View of Process</b>
Design	Conceptual
Planning	Formal
Positioning	Analytical
Cognitive	Mental
Entrepreneurial	Visionary
Learning	Emergent
Political	Power
Cultural	Ideological
Environmental	Passive
Configurational	Episodic

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Mintzberg (1990)

The 'design' school serves as a basic model for the 'planning' school. Their only difference, perhaps, is the emphasis of setting formal objectives in the 'planning' school. Both schools, however, accept the premises that the



chief executive is the key actor, and strategy making must be carried out in a deliberate manner. The 'positioning' school, on the other hand, focuses on the content of strategies rather than the process itself. It simply extrapolates the messages of the 'planning' school into the domain of actual strategy content.

Unlike the first three schools, the seven other schools are descriptive in nature. They consider what happens in a human head that tries to cope with strategy (the 'cognitive' school), depict strategy making as the visionary process of a strong leader (the 'entrepreneurial' school), find strategy to emerge in a process of collective learning (the 'learning' school), focus on conflict and the exploitation of power in the process (the 'political' school), consider the collective, co-operative dimension of the process (the 'cultural' school), see strategy making as a passive response to external forces (the 'environmental' school) and finally, seek to put all the other schools into the contexts of specific episodes in the process (the 'configurational' school).

Whittington (1993) has discerned the different approaches to strategy making into four main themes, which are currently dominating in the literature. They differ fundamentally along two dimensions; namely, one

dimension determines the outcomes of strategy, and the other, the processes by which strategy is made (see Figure 3.2). The outcomes differ in terms of the degree to which strategy produces, either to achieve profit-maximisation or deviate to allow other possibilities to intrude; whereas, the processes differ in terms of how far strategies are the product of deliberate calculations or whether they are emerged by accident, muddle or inertia.

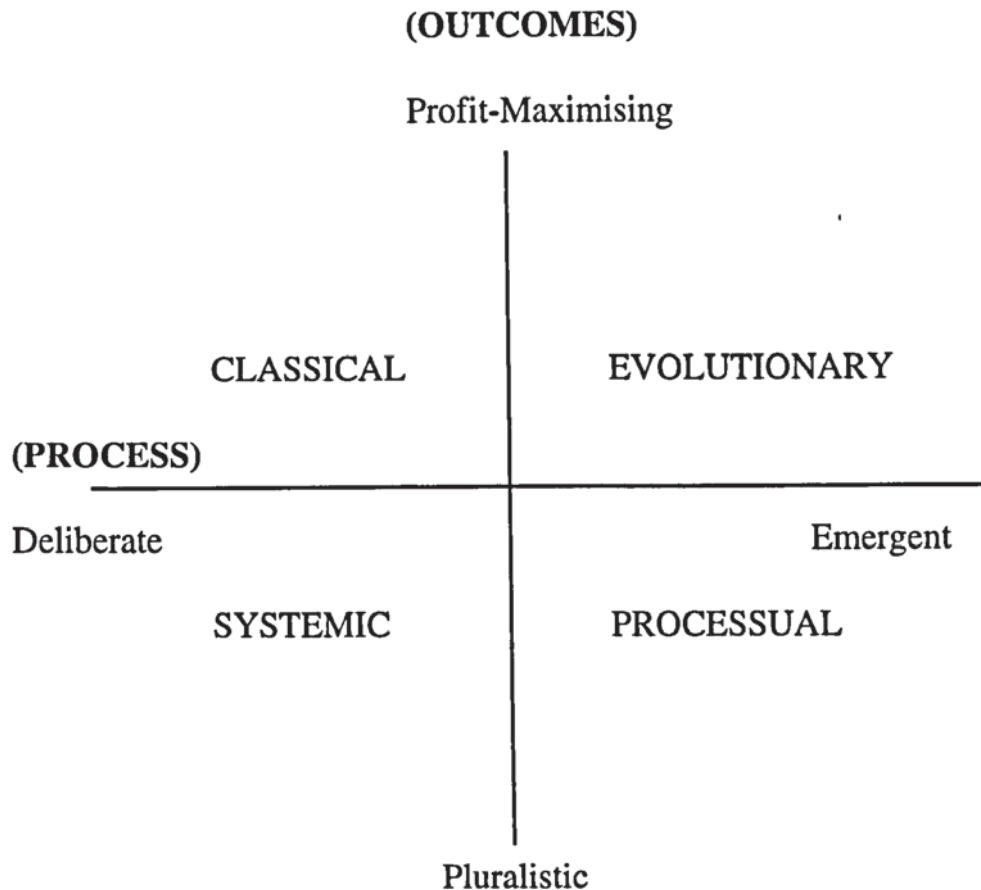


Figure 3.2 Generic perspectives on strategy

For the Classicists, profitability is the supreme goal of business, and rational planning, the mean to achieve it (Chandler, 1962; Ansoff, 1965; Sloan, 1963). Dominant in the mainstream textbook and strategic management theory, the classical approach has drawn wide disciplinary and metaphorical supports. The fundamental strategic problem of this approach is to position the company in those markets where maximum profits can be earned; and if in any circumstances, the return in the long-run is not satisfactory, the deficiency would be corrected or the activity abandoned. This rational approach assembles the first three schools of the Mintzberg's consolidation in Table 3.2.

Evolutionary approach to strategy making, in contrast, is less confident about top management's ability to plan and act rationally, or the capacity of organisations to achieve differentiation and adaptation in a deliberate and sustainable way. The Evolutionists argue that rational, future-oriented planning is often irrelevant, as long-term survival cannot be planned. Moreover, not all organisations have the power to change themselves sufficiently quickly to avoid extinction anyway (Hannan and Freeman, 1988; Oliver Williamson, 1991). Rather than relying on managers, they expect the market to secure profit maximisation. In other words, it is the

market, not managers that choose the prevailing strategies within a particular environment; that is, to be at the right-place at the right time. Evolutionists argue that whatever methods managers adopt, it will be only the best performers that survive, as competitive processes allow the relatively better performers to flourish while the weaker performers are irresistibly squeezed out of the ecological niche.

Processualists generally share the Evolutionary scepticism about rational strategy-making, but are less confident about market ensuring profit-maximising outcomes (March and Simon, 1958; Cyert and March, 1963). They also reject the value of long-term planning, but suggested a more hopeful scenario for organisations that are often seen as surviving successfully through learning and compromise rather than rational planning (Mintzberg, 1987). Processualists argue that rational analysis limits the search for strategic flexibility, and as a result, it reduces the expectation of success. Radically, they downgrade the importance of rational analysis; and argue that, in practice, strategy makers do not strive ceaselessly for optimal solutions, but rather, satisfy themselves with following the established routines and heuristics of the organisation. For Processualists, both organisations and markets are sticky and messy phenomena from which



strategies emerge with much confusion and in small steps. They argue that it is to the very imperfection of organisational and market processes that managers owe their strategies and competitive advantages.

Lastly, Systemic approach stresses the social context of strategy-making, pointing out that profit maximisation may not be the over-riding objective of an organisation. Systematic theorists argue that decision makers are not simply detached calculating individuals interacting in purely economic transactions, but are people rooted deeply in densely interwoven social systems. The societies may choose other criteria for supporting enterprises other than just financial performance. They do, however, retain the faith of the classical approach in that the capacity of organisations could plan forward and act effectively within their environments. The modes of strategy are deeply embedded in particular social systems and their processes and objectives may be perfectly rational according to the criteria of the locally dominant groups.

## **The author's comment**

Among the four different approaches to strategy making discerned by Whittington (1993), the author does not agree with the Evolutionists' views that the fate of a company is merely decided by the market and long-term survival of a company cannot be planned. In that case, companies need not have to plan; but rather, merely depending upon being efficient, in reacting to the environment in order to survive. The Processualists, however, seem to have a strong standing in the literature of suggesting that strategies could emerge from an iterative process, as well as through learning and experimenting (Quinn, 1980). Mintzberg (1994), however, also argues that strategy making can neither be purely deliberate nor emergent, as the former suggests no learning; whereas the latter, no control. He suggests that organisations should consider pursuing what he called "umbrella" strategies, which can be carried out deliberately while allowing the details to emerge within them. This implies that strategic planning, no matter how deliberate it can be, must also provide some means of 'flexibility'<sup>1</sup> to allow companies to review their strategies periodically to adapt dynamically to the environment that is changing all the time.

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<sup>1</sup> The need to provide flexibility has been emphasised in the development of strategic planning models which are claimed to be suitable for use in small businesses (Napuk, 1993; Kwestel, 1998).

Lee (1994), in one of her working papers, made an effort to study the relevance of strategy theories, described in the Whittington's typology, in small businesses. She examined the outcomes of strategy making and the approaches of four small British component manufacturers as part of her ongoing research project in British West Midlands. Based on the Whittington's typology, she discovered that although the approaches of four small British component manufacturers to strategy-making were largely processual, their processes were deliberate rather than emergent; and their outcomes focussed on profit maximisation, rather than pluralistic. These companies, she observed, had clear goals and thought through their strategies for achieving them. The evolutionary approach, she argues, had little relevance for three of the companies she observed. These companies did not rely just upon being efficient to survive, but rather, were proactive and outward looking in all aspects of their business. They also sought new areas of business, including work from overseas as well as being prepared to make investment decisions, although the market conditions then indicated cautions, and reactivity was being considered as a safer strategy for survival. While many of the tools and techniques propounded within the classical method may not be appropriate for small businesses, Lee (1994) argues that



deliberate processes, nonetheless, are still needed to achieve a systematic understanding of the business and its markets.

In Singapore, being a capitalist country, it is expected that many local companies would focus on profit maximisation in their strategy making that determine their success<sup>2</sup>. Coupled with their need to work closely with the government and foreign MNCs, they would commensurate with the classical planning approach to formulate their strategies.

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<sup>2</sup> Andersen consulting and The Business Times also used various financial-related figures as key performance indicators for the selection and ranking of local companies for the 'Enterprise-50' award.



### **3.3 STRATEGIC PLANNING MODELS FOR SMALL BUSINESSES**

Most normative models that provide a rational approach to strategy formulation and implementation in the literature are generally oriented towards the management of large corporations (Andrews, 1971; Ansoff, 1965; Hofer and Schendel, 1978). These models often consider several distinct product lines or separate businesses in their analysis, or use a sophisticated set of business concepts and planning techniques which are not applicable to smaller businesses (Ackoff, 1981; Ansoff, 1980; Camillus, 1982; Huff and Reger, 1987).

While smaller businesses must also analyse the external environment and their internal operations, and to make strategies within the context of these analyses, it is argued that strategic planning models developed to support their analyses and strategy formulation have to be user-friendly (Unni, 1981) and readily accessible to their owners/managers who, typically, have to carry out the burden of many different responsibilities (Lee, 1994). Furthermore, smaller businesses often do not require to use a sophisticated set of business concepts and planning techniques as the strategic options considered by them have to be narrower by necessity as they must confine their focus on market opportunities in which they have sufficient resources

to compete effectively. Unni (1981) argues for the need to develop the “art” of strategic planning for smaller businesses as many of the sophisticated concepts and techniques are not found suitable for them to use. An attempt to portray smaller businesses using a sophisticated set of business concepts and planning techniques, in the world-wide market, would be frustrated by the mismatch of scales (Stoner and Fry, 1987).

Since the late 1980s, many strategic planning models have been developed for smaller businesses. Most of these models were developed based on the ‘design’ model in which strategy formulation is often seen as a process of conception. A major component of this model is the ‘SWOT’ (Strengths, Weaknesses, Opportunities and Threats) analysis where organisational strategy is often created at the intersection of an external appraisal of threats and opportunities facing the organisation, and an internal appraisal of the organisation’s strengths and weaknesses. Outside opportunities are then exploited by inside strengths while threats are avoided and weaknesses circumvented. Strategy making is seen in this model as a match between qualification of a firm and opportunities that arise, which position the firm in the environment.

Stoner and Fry (1987) stress on the importance of using a simple process to formulate strategies. They argues that regardless of its ultimate importance and value, if strategic planning is perceived to be too complicated or time consuming, it will not be utilised by small businesses anyway.

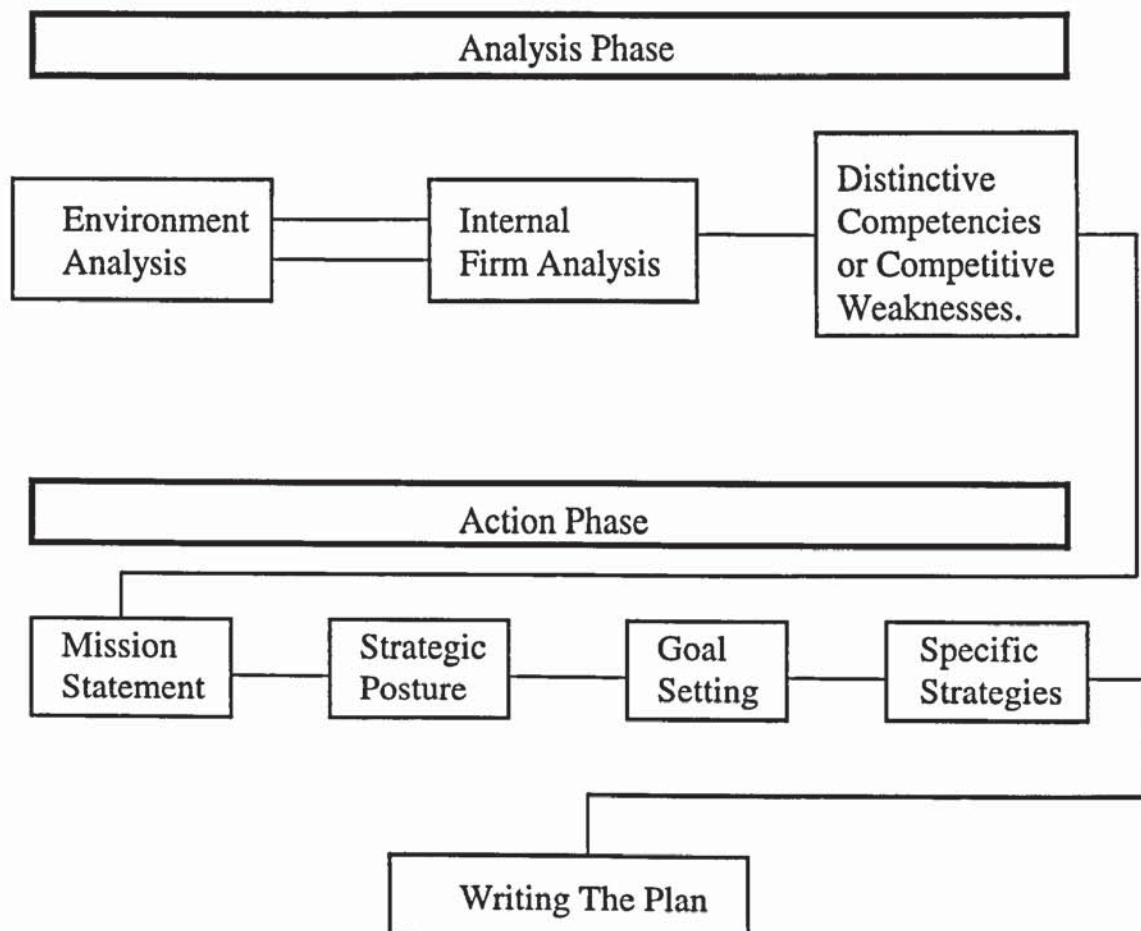


Figure 3.3.1: Stoner and Fry's model of strategic planning approach.

Figure 3.3.1 highlights the Stoner and Fry's model. It proposed that strategic planning could be carried out in two phases; namely, the analysis and action phases. The objective of the analysis phase is meant to identify the distinctive competencies of a firm and its competitive weaknesses so that potential opportunities can be seized as they arise, while the firm's internal and external problems can be wrestled.

Their model provides a systematic, and yet, simple approach to strategy making, which can be applicable to smaller businesses. It emphasises on creating a mission statement, in the action phase, which is important as it sets the tone and direction for the business. The mission statement also allows the strategic posture of a firm to be determined, before setting achievable and measurable goals and strategies. The author agrees with the model that strategic planning has to be committed by writing it down. Stoner and Fry (1987) argue that the best strategy in the world will be of limited value if it is not written down on paper. Written documents or plans are of particularly important for local companies in Singapore. It is especially important for local companies intending to acquire external supports from the government and foreign MNCs. Having a concise written strategic plan is essential for local companies for external validation, to



determine their contribution and commitment to the Singapore economic growth program. It is also essential for subsequent review and analysis, which can also serve as control measures and evaluation devices at the end of each quarter, fiscal years, or other key periods.

Scarborough and Zimmerer (1991) proposed another planning model, which begins with a mission statement, prior to strategic analysis, to establish the purpose of the business. Their model agrees with the first model that without setting out a concise and meaningful mission statement, a firm would wander aimlessly in a marketplace with no idea of where to go or how to get there. This is agreeable to Drucker's argument (1984) who emphasises the primacy of defining a mission statement. Drucker (1984) argues that,

*'.....Only a clear definition of the mission and purpose of the business makes possible clear and realistic strategies, plans and work assignments.....'*

*(Drucker, 1984)*

Their model sees “market” as an important factor when developing strategies. In fact, this is typically the case for smaller businesses where they often have to deal directly with their customers, and produce products or services in accordance to their needs. According to Scarborough and Zimmerer (1991), they argue that:

*‘.....The customer only wants to know what the products or services will do for him tomorrow.....  
All he is interested in are his own values, his own wants, his own reality.....’*

For these reasons, they argue that any serious attempt to state, “what the business is” must start from the customer, his realities, his situation, his behaviour, his expectations and his values. The mission statement they proposed, focuses on creating values for customers by identifying new, better and different ways to satisfy their needs. This is fundamental for the survival and growth of any businesses (Levitt, 1960; Drucker, 1973; Peters and Waterman, 1982). Their model comprises of the following eight steps:

- (1) Develop a clear mission statement;
- (2) Assess the firm's strength and weaknesses;
- (3) Conduct a thorough market segment analysis;
- (4) Analyse competitors;
- (5) Create company goals and objectives;
- (6) Formulate strategic options and select the appropriate strategies;
- (7) Translate strategic plans into action plans;
- (8) Establish accurate controls.

The above analysis focuses on identifying the “right” market segments to target as customer bases, and then positioning the firm to reach out to the segments in the most effective way where the firm has sufficient resources to compete. This model is particularly relevant to local companies where they have to look beyond Singapore to carve their own market niches. They have to identify the right market and position themselves with their limited resources.

Although the focus of the above strategic planning process is oriented towards meeting the customers' needs, the planning process is quite similar to the first model. They are based on the 'design' and 'planning' models, whereby the SWOT analysis and other planning components such as mission statement, goals and objectives, action plans and control are considered as important determinants.

Aaker (1992) proposed a similar approach to the second model, but he used the term "strategic market planning" to emphasise the importance of determining the market environment when formulating strategies (Figure 3.3.2). His model also utilises the SWOT analytical method. It focuses primarily on customers and market environment prior to determining opportunities and threats which can be seized and overcome respectively by company's internal strengths, assuming that the company's weaknesses, problems and constraints can be also wrestled.



## **EXTERNAL ANALYSIS**

Customer analysis.

Competitive analysis.

Market analysis.

Environmental analysis.

**Opportunities, threats,  
and strategic questions.**

## **SELF ANALYSIS**

Performance analysis.

Determinants of  
strategic options.

**Strategic strengths,  
weaknesses, problems,  
constraints, and questions.**

## **STRATEGY IDENTIFICATION AND SELECTION**

Review mission alternatives.

Identify strategic alternatives.

Select strategy.

Implementation of operating plan.

Review of strategies.

Figure 3.3.2: Aaker's model of strategic market management process.

The author agrees with the above three models that the analysis ought to be future oriented, not only to recognise the present environmental forces facing the firm, but also to project future trends and anticipate changes that have significant strategic implications. This is particularly true in Singapore where many companies need to plan and determine how the present conditions and government policies could affect them in their business and their future. Their analysis requires in-depth understanding of the future implication of the current market situation and the environment, rather than a mere projection of it.

Cook (1994) offers a more generic strategic planning model in which he tried to use logical and guided steps to help companies formulate their strategies, within their own capabilities, by working through a set of sample worksheets which he argues that it will stimulate managerial thinking. He views strategic planning as a formula,

*“Getting customer = Your abilities - Competitors actions +/- Industry forces”*

The objective of his planning model is to analyse the above formula to reach the objective of getting better and profitable customers using a set of premises. His model also comprises of two sections; namely, the analysis section, and the development and implementation section. The six steps of the analysis section include:

Step 1: Understanding of company mission;

Step 2: Understanding of company business, products and services;

Step 3: Understanding of customers;

Step 4: Redefining the business;

Step 5: Understanding the industry;

Step 6: Understanding of competitors.

Besides SWOT analysis, the above model also utilises simple techniques such as brainstorming and group discussions. These techniques are relevant to smaller companies, as they would not have adequate resources and expertise to utilise sophisticated methods/techniques. The

second section shows the formulation and implementation of strategies; namely,

Step 7: Formulating internal strategies;

Step 8: Formulating external strategies;

Step 9: Implementing the strategic plan.

Although the above models offer some logical and simple steps to guide companies in their planning, these models however do not indicate any means of reviewing the strategic plan. Napuk (1993) subsequently developed a strategic planning model (see Figure 3.3.3) that emphasises on the importance of 'continuity'.



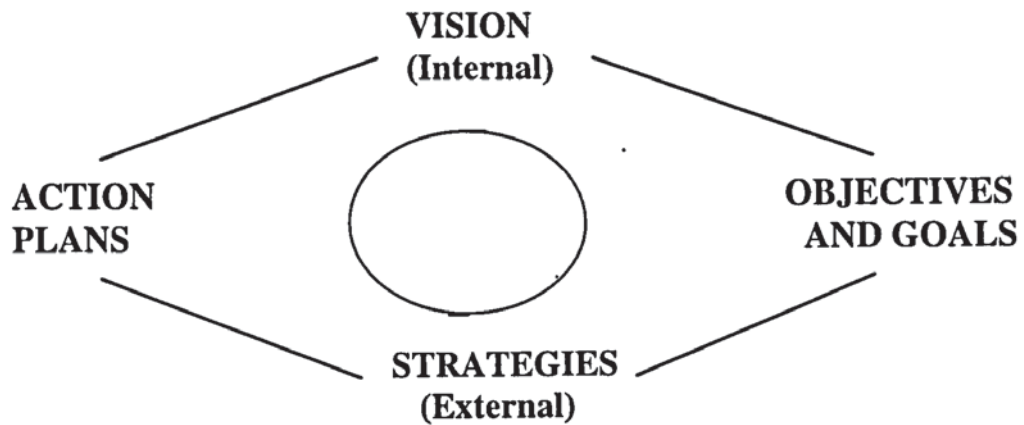


Figure 3.3.3: Napuk's model of strategic planning.

According to Napuk (1993), strategic planning has to be dynamic, flexible, responsive, analytical, creative, focused, and action orientated because the market is ever changing. This is happening in Singapore where having a small economy can be easily effected by global economic changes. Strategic planning, therefore, has to be reviewed continuously to revise the course of actions in order to realise the ultimate company's objectives and vision. The framework of his model simply asks four basic questions; namely,

1. How did you get here?
2. Where do you want to go?
3. How will you get there?
4. How can you make it work?

The objective of his planning model is to find the right answers to the above four basic questions, which Napuk (1993) argues that it is fundamental to the existence of any businesses. The answers to the above four questions are essential as it would spark considerable discussions and debates within the management team which help them formulate strategies and action plans that can be reviewed periodically.

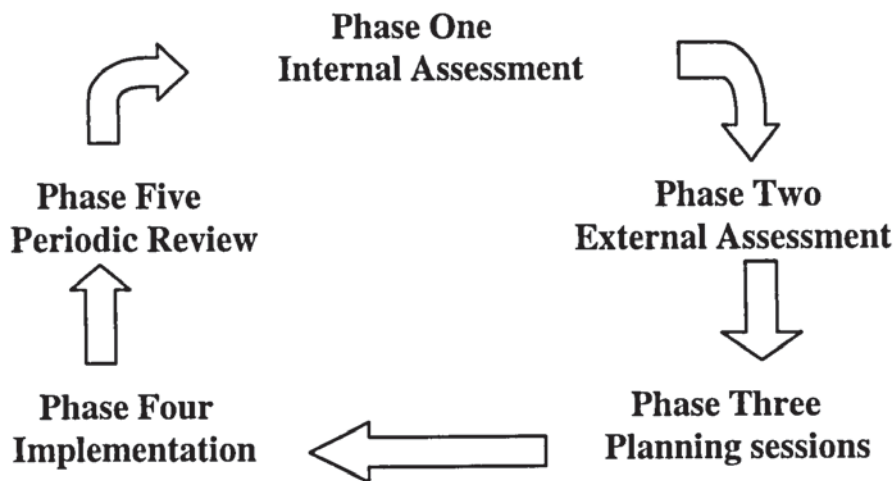


Figure 3.3.4: A five-phase strategic planning model

Similar to the Napuk's model, Kwestel et al. (1998) proposed a five-phase model (see Figure 3.3.4) which also views strategic planning as a process of deciding where a company wants to go and how it can get there. It also emphasises on creating a common vision and goals, and developing concise written documents that encompass the whole organisation.

## **The author's comment**

What can be observed from the review of strategic planning models, which perhaps most writers would also agree, is that strategic planning is not something that a company can just do it once as market, competitors and environment continue to change. On the contrary, strategic planning has to be revised regularly through follow-up meetings that can also serve as good opportunities for management to communicate new strategies to everyone in a company.

It can be realised that the strategic planning models developed, thus far, can be used in smaller businesses. Through the review of these models, it is noticeable that they are not unwieldy in their approach, complete yet practical, comprehensive yet understandable. These planning models have evolved to an extent that, thus far, they are now providing a practical, and yet, jargon-free and user-friendly route map to guide smaller businesses along the path to their successful strategic planning.



### **3.4 EXTERNAL INFLUENCES ON SMALL BUSINESS STRATEGIC PLANNING PRACTICES**

The literature cited that smaller companies, typically, do not engage in formal strategic planning or utilise the 'classical' planning model. This is because either they do not see the need to, or perceive little value of, engaging in this planning process. The extent of external influences, however, may change their decisions. Indeed, the evidence of the powerful effect of the government, foreign MNCs and internationalisation on the propensity for planning can be found in the literature. This section shall review and discuss some of the effects of these external influences.

#### **3.4.1 THE INFLUENCE OF THE GOVERNMENT**

In an industrialised economy, increasing emphasis has been placed on measures to support local enterprise development. It was reported that the ability of local enterprises to compete effectively in the international trade requires not only on the existence of a combination of an enterprise culture and a favourable business environment on one hand, but also on the supportive economic policy and viable institutional frameworks on the other (Lisk, 1997). With the right business environment and economic policies,

companies can be developed and facilitated to participate more actively in international trade (Islam, 1996).

Typically, companies are developed based on the premise that they will provide a powerful medium for creation of new jobs and opportunities. In Singapore, however, local companies are developed mainly for economic regeneration, to enhance the national rate of technological innovation and international competitiveness. The emphasis of the recent government initiatives has been concentrated upon the provision of financial supports to underpin R&D activities, encourage strategic planning and technology transfers from foreign MNCs, and help local enterprises access new technologies through strategic alliances.

The success of providing government initiatives is evident in the United States (Chrisman et al., 1985; Pelham, 1985), and it has benefited many small businesses (Nahavandi and Chesteen, 1988). The evaluation of government assistance programs provided by the Small Business Development Centres [SBDC] (Elstrott, 1987), Service Corps of Retired Executive [SCORE], Active Corps of Executives [ACE] (Hartman, 1983) and the Small Business Institute [SBI] (Khan and Rocha, 1982), for example,

have found their supports effective (Chrisman et al., 1985; Pelham, 1985). Nahavandi and Chesteen (1988) concluded that the impact of strategic assistance provided by the SBDC is significant and positively associated with the perceived value of its services. Some surveys, conducted by the Small Business Administration [SBA] (Graham, 1979), have also shown a positive impact of government initiatives on small businesses. The beneficial aspects of using students as consultants are well received by small companies in the SBI and SBDC programs (Sonfield, 1981). Consistent support for the government programs has led to its continuation and expansion. In fact, one of the recommendations of the 1986 White House Conference on Small Business, in the United States, has suggested that the government should maintain and continue all SBA programs including the consulting activities (Blackman and Thompson, 1987).

In Singapore, since the economic recession in 1985, the government has placed a considerable emphasis on local enterprise development. At the time of writing this thesis, there were more than 60 government assistance schemes and programmes developed to address a broad spectrum of local enterprises' business needs in every stage of their growth. Some initiatives encourage the need of local companies to formulate their own strategic plan

to chart their growth path ahead. In particular, the Local Enterprise Technical Assistance Scheme [LETAS] and Total Business Plan [TBP] were designed to assist local companies formulate their strategies and a total business plan respectively, by defraying part of the cost of engaging external consultants. The Straits Times<sup>3</sup> reported that the implementation of these programs were successful. It has encouraged many local companies to engage in strategic planning. According to one of the participants in the “Total Business Plan” program, he said that:

*‘..... The “Total Business Plan” programme is like a kind of overhaul, including a review of strengths and weaknesses and identifying strategic options for the future.....Management consultants guide a company through a revamp of the way it manages finance, manpower and other aspects.....Strategic planning helps the company argues with themselves. Companies may not see their own problems, even when these problems are right even under their noses.....’*

*(The Straits Times, 1995)*

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<sup>3</sup> The Straits Times is one of the local newspapers in Singapore. Their reports are considered to be reliable.



Also commented by the CEO of the Popular Book Company, he said that:

*‘.....The consultant [through the programme] helps  
to refine the company’s mission and core values.....’*

*(The Straits Times, 1995)*

The above reports reveal that local companies can be encouraged to engage in strategic planning if they have shown how to engage and persevere with it (Macmillan, 1975; Kirk and Schell, 1990). Outsiders<sup>4</sup>, by and large, can be helpful in a variety of different ways, depending on the purposes of consulting. They can either have a ‘Cognitive’ influence to help company promote change that is required or stimulate unforeseen change; or ‘Political’ influence to help company overcome the resistance to change. As a result, they can lead companies to better strategic planning over times and become more aware of the need for, and the importance of, using information in strategic planning. The process of collecting and utilising strategic information can lead them to more and extensive strategic planning

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<sup>4</sup> Outsiders mentioned here also refer to outside consultants.

in the future. Among others, Lorange (1980) has suggested three important ways in which outsiders can help companies in strategic planning; namely to,

1. provide an objective approach to strategic assessment analysis.
2. carry out specific, one-shot analysis of substantive strategic choices where the consultant works in a similar capacity as the CEO's staff assistants.
3. facilitate improvements in the functioning of strategic planning process.

Carroll (1985) has suggested several reasons why companies should engage in outside consultancy; namely, to provide for

1. an objective outsider's point of view;
2. expert advice;

3. concentrated manpower;
4. introducing new ideas;
5. problem solving and problem definition;
6. stimulating change.

Robinson (1982) has identified a more mundane role for strategy consultants in small businesses; that is, to remind them to carry out planning. He said that,

*‘.....executive typically respond to the strongest pressures.....an outside person becomes the one who continually gives company reminders that time must be spent on planning.....’*

The literature has revealed the important role of the government to encourage local companies to engage in strategic planning. The companies’ interests to engage formal strategic planning can be stimulated by the

government's initial efforts, either by pull or push method, to gather and use more information on subsequent occasions; thereby, improving their chances of success in strategic planning in the future (Macmillan, 1975; Kirk and Schell, 1990). On one hand, companies can be pulled to engage in strategic planning by means of utilising specific government initiatives that encourage them to engage external consultants to help them carry out strategic planning. On the other hand, companies can be pushed by forcing them to submit their strategic planning prior to utilising government initiatives. As a result of the government's influence, the virtue of strategic planning can be made more apparent to local companies.

### **3.4.2 THE INFLUENCE OF FOREIGN MNCs**

Another external influence that would encourage local companies to engage in formal strategic planning is foreign MNCs. Over the past few decades, the Asia's boom has been driven largely by large foreign MNCs. In an Asian's economy, foreign MNCs, typically, account for approximately 80% of the total manufacturing exports. In comparison, indigenous local



companies, which account for 80% of all manufacturing enterprises, contribute less than 20% (Report of the Pacific Business Forum, 1994). This pattern of an outward looking foreign-owned, large firm sector combined with a largely domestic-oriented local firm sector is found to be similar in many Asian's countries.

According to the Asia Pacific Economic Co-operation [APEC], local companies face a number of constraints, including limited access to market intelligence relating to regional business opportunities, production inputs such as finance, difficulties in meeting product standard specifications, inadequate track records and experience, and social and cultural mores. As a result, they only play a minor role in regional trade and investments (Report of the Pacific Business Forum, 1994). These constraints have also discouraged local companies to participate in international markets.

One way to overcome the lack of resources, experienced by local companies, is through developing strategic alliances<sup>5</sup> with foreign MNCs to make up for their shortfalls. Strategic alliances between local companies and

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<sup>5</sup> According to the literature, "strategic alliance" is defined as "a coalition of a number of organisations intended to achieve mutually beneficial goals" (Robinson and Clark-Hill, 1994). This includes joint ventures, outside contracting, licensing, long-term marketing agreements, equity investments, export management/trading companies, technology alliances, purchaser/supplier alliances, supplier/manufacturer relationship, and manufacturer/distributor relationship.

foreign MNCs in Singapore are on the increase (EDB, 1993). Traditional 'enemies' between these two groups of enterprises are now collaborating much more than before, partly due to the global economic pressure and the government's encouragement. In fact, the linkages between the large and small enterprises in the region have not only occurred within an economy, but also between economies; for instance, between a large enterprise from a developed economy and a local company in a developing economy (Report of the Pacific Business Forum, 1994).

The literature reveals that local companies can benefit from strategic alliances in the following ways (Porter and Fuller, 1986; Dunning, 1988; Peters, 1991; Lorange and Roos, 1992; Treece, 1991; Forrest, 1992; Walter et al., 1994; Sasaki, 1993; Lei, 1993; Murray and Mahon, 1993):

- Access to management skills;
- Developing and diffusing technology;
- Economies of scale;
- Funding constraints;
- Geographical access;
- Reducing manufacturing costs;

- Risk sharing;
- Access to complementary knowledge;
- Diversification;
- Reducing developing time for new products.

Foreign MNCs, through sub-contact and procurement activities, for example, could assist local companies upgrade their technologies and business capabilities in areas such as standards and quality control of products; efficiency in production process; productivity of workforce; and achievement of a greater level of product innovation. With their marketing network, foreign MNCs can be of valuable assistance to local companies in searching for new business opportunities and assisting their expansion into new markets (Maynard, 1996). For those companies which lack of substantial resources available to large companies, foreign MNCs' network organisational structure, that build around a strategic alliance, can offer them an alternative to vertical integration models (Larson, 1992).

Research evidences in the United States have revealed that companies developing strategic alliances with their larger counterparts are more able to secure access to new technologies, widen their distribution networks and marketing expansion than those operating by itself (Gilbert, 1991). Growth of companies that sought strategic alliance was found to be greater than those companies that did not (Wendy, 1997). Brown (1996) identified a 37% faster growth rate among those companies that utilised strategic alliances. A further study of 451 small retail firms, in the Netherlands, found that memberships of a strategic alliance have a positive influence on their businesses. Such firms were found to be generally more profitable, and took a more professional and active approach to marketing (Reijnders and Verhallen, 1996). Dent (1990) argues that developing a strategic alliance is essential for the success of firms' future. He argues that the need to develop a 'network' capable of delivering economies of scale and greater market penetration is important. For manufacturers, the development of mutually beneficial relationships with buyers has become a critical factor to succeed (Holmund and Kock, 1996). While strategic alliances are highly beneficial to smaller companies, and hence, the need for them to gain supports from MNCs, they would require to formulate and submit their strategic plan in accordance to the MNCs' formal planning requirements



Denning and Lehr (1972) have determined the powerful effect of foreign MNCs on the propensity for planning. They divided the 300 companies in their samples into six categories of structure, and found that the one that most clearly reflected external ownership (that is, subsidiaries of foreign MNCs) had the highest incidence of planning by far (64.7 percent); while the one that reflected it least (multi-plant functional organisations) was closed to the lowest in its use (11.1 percent). Similarly, Al-Bazzaz and Grinyer (1983) found that dependence on parent organisations as well as on major customers are factors that could explain companies' planning activity. They found that the four nationalised companies in their samples have significantly more written plans than the others.

Ghosh (1992) found that collaboration with foreign MNCs required local companies to maintain a stringent reporting relationship with them. The formality of the reporting; namely, the writing of plans and specification of long-term objectives, is instrumental in forcing local companies to formalise their strategic planning to a high level. Eu (1987) also made a similar observation. The two foreign subsidiary companies, he observed, were more thorough with regard to strategic and long-term planning by virtue of their reporting requirements from their parents. The other two local companies, in

contrast, were more sporadic and incremental in their planning behaviours and approaches. The two foreign subsidiary companies were also known to have a well-established planning system.

Lorange and Roos (1992) argue that strategic planning plays a crucial role in strategic alliances. Kukalis and Jungemann (1995) iterate by saying that strategic alliance must have an effective strategic planning system in order to for it to succeed. A well perceived strategic planning process would not only help companies to spot emerging opportunities and threats, it also facilitates the delineation of how organisation's current know-how and resources can be re-deployed effectively to take advantage of these emerging opportunities and overcome the threats; and subsequently, to build up a new business for the future. This view is agreeable with the literature, which argues that the restructuring and development of different organisational units within a strategic alliance are desirable to improve the effectiveness of a strategic planning system (Kukalis and Jungemann, 1995). This system requires the integration of the parents' and subsidiaries' objectives within the setting of strategic alliances.

### **3.4.3 THE INFLUENCE OF INTERNATIONALISATION**

Finally, there were studies that suggest that the extent of internationalisation contributes to company's strategic planning process (Baird et al., 1994). Some of these studies also suggest that planning pays, in terms of better export performances (Aaby and Slater, 1989). Baird et al. (1994), for example, determine that as companies becoming more internationalised, they would develop a better control and monitoring system to manage their more complex business activities and operations. They also argue that the various forms of international activities the companies involve would also affect their organisational structure and the formality of their strategic planning process.

Company plans prior to internationalisation is probably due to many barriers that hindered them from taking the route (Weaver and Pak, 1990). Several studies have stressed on the importance of planning and the need to utilise strategic approach to overcome these barriers (Kau and Tan, 1989). Aaby and Slater (1989), in their extensive review of empirical evidences on export-performance factors, found that there was a strong positive relationship between export performance and export planning. These empirical evidences support the view that the implementation of a process

for systematically exploring, analysing and planning for export is a very powerful discriminator between successful and unsuccessful exporters.

Cavusgil and Zou (1994) agree, and argue that export strategy, if carefully adopted, could have a major impact on subsequent export performance, which could be measured both in economic terms and in relation to the company's overall objectives. They also support the view that only when a company has established a clear sense of strategic direction in international markets, could it choose the best partner and network to operate in, and that a systematic planning for international market expansion could considerably improve the likelihood of a company's success.

Incidentally, there has been a growing concern of the Asian's government that in order for their country's economy to reach to that of a developed country status, the country must have a high level of participation of local companies in the international-market activities. Baird et al. (1994), however, argues that only companies with adequate resource-base are likely to develop an international orientation. Namiki (1988) has identified some effective strategies, such as competitive pricing and brand identification, manufacturing of speciality products, technological superiority and good



customer services. Having such strategies suggest that international-oriented companies would be larger in size and adopting a more formal planning system to manage their business than domestic-oriented companies.

In comparison, manufacturing companies, with tangible products, are more likely to internationalise than those companies in other industry sectors. The mode of entry into international market is likely to be franchising, licensing, manufacturing via a wholly owned subsidiary and acquisition (Choo, 1998). Whatever strategies a company adopts, it would demonstrate a significant change in its internal control system. In most cases, the company would develop toward more professionalism in their planning system.

### **3.5 THE INFLUENCE OF ENTREPRENEUR ON STRATEGIC PLANNING PRACTICES**

One of the internal factors that determines the formality and sophistication of strategic planning process, in a company, is the attitude of entrepreneur towards planning (Ibrahim and Ellis, 1994; Lynn, 1992). The literature warns that without the entrepreneur's supports and commitments, strategic planning will doom to failure (Lyles and Lenz, 1982; Daniel, 1992). His personal goals, characters and strategic awareness are often reflected, and have a significant impact, on the development of organisational strategies. Whether an effective strategic planning process can be implemented successfully or not, depends heavily on the entrepreneur's attitude. The ability of a company to comprehend and make appropriate use of sophisticated strategic management practices is a function of his experiences (Lynn, 1992).

Schuman et al. (1985) argue that those entrepreneurs who have prepared a business plan prior to business start-up, are more likely to succeed than those that have not, to go through the major strategic planning steps once a company is operating. These steps include (1) the testing of assumptions upon which strategies are based, (2) competitive analysis, (3)

planning for the allocation of resources, and (4) the institution of procedures for control and co-ordination within a company. Carland et al. (1989) have summarised usefully the role of an entrepreneur in the following statements:

*‘.....The individual responsible for planning in a company is the entrepreneur. If that individual is not predisposed to planning, this activity will not take place.....Personality plays a key role in that predisposition.....’*

The above statements were affirmed by several studies in Singapore. Lee (1986) found that the CEO/owner, or for that matter, the entrepreneur, plays a dominant role in strategy formulation. Ghosh (1992) made a similar observation that planning is in the hand of the entrepreneur. The strategic direction and ultimate growth of a company depends on his objectives. Ghosh (1992) also found that those companies that were better managed had better quality and attitude of the CEO/owner.

Other attributes of an entrepreneur, that influence planning in a company, include his ownership, educational background and age. Unni (1981) found that those owners/managers engaged in formal strategic planning were younger, in the 31-35 age group and at least college educated. Ghosh (1992) found that the CEO of those companies that had higher quality of planning were not the owner or majority shareholder, but they were also employees who held shares in the company. This situation is more likely to be found in high-growth companies that were publicly listed in the stock market where the CEOs, by virtue of being an employee, will be found more objective in their strategic planning. The CEO of these companies would have more time to carry out planning, as they are relatively free from the problems of ownership and finance matters. Whatever the attributes and strategic planning approaches, what can be expected and observed in this study is that entrepreneurs will be solely responsible for, and dictate the nature of, the strategic planning process. The ability of a company to comprehend and make appropriate use of sophisticated strategic management practices will be a function of the CEO's objectives to formulate the strategic plan.



### **3.6 THE INFLUENCE OF FIRM SIZE ON STRATEGIC PLANNING PRACTICES**

Another internal factor that determines the formality and sophistication of strategic planning is the size of an organisation. Indeed, the proponents of strategic management have suggested that the kind of planning employed in a company is contingent upon the stage of its development (Robinson and Pearce, 1984; Scott and Bruce, 1987; Shuman et al., 1985). This planning would evolve, and become more formal and sophisticated over the life cycle of the business. As the activities and supporting functional areas of an organisation become more complex and sophisticated, planning would evolve through various different stages. This includes from its initial beginning as simple financial plans and budgets; through to forecast-based planning; then externally-oriented planning where entrepreneur would think strategically to proactively planning the firm's future rather than merely reactively responding to changes within the marketplace; and finally, using more formal strategic management techniques.

Shuman et al. (1985) argue that entrepreneurs must make this necessary progression as the business grows to ensure the survival and long-term success of a business. The process of rapid business growth and its accompanying management, organisational and resource implications, often

stimulate the required evolution towards more strategic orientations within a company.

By and large, a company's development can be classified into three main stages; namely (1) the "Start-up" at stage I, in which the strategic decision is to find a company and to position it within a particular industry with a particular competitive strategy; (2) the "Early-growth" at stage II, in which the initial product-market strategy is being tested and when the owner maintains direct contact with all major activities; and finally, (3) the "Later-growth" at stage III, in which the company is characterised by multiple sites for retails and services, and some diversification for manufacturing companies (Cooper, 1981).

Organisationally, at stage III, a company would have one or more levels of middle management and some delegations of decision making which require some formal planning and communication procedures. The complexity of planning which is correlated to the critical development area at each stage of organisational growth in which a company typically has to pass through, can be shown in Table 3.6.1.

**Table 3.6.1 Stages of Organisational Growth**

Stage	Description	Critical Development Areas	Approximate Organisational Size (millions of dollars in sales)
I.	New venture	Markets and products	Less than \$1
II.	Expansion	Resources and operational	\$1 to \$10
III.	Professionalisation	Management systems	\$10 to \$100
IV.	Consolidation	Corporate culture	\$100 to \$500

Flamholtz (1990)

Flamholtz (1990) argues that, at stage I, strategic planning would be informal with few policies and control, exercised primarily through direct contact (Table 3.6.2). Intuitive decision-making is carried out entirely by entrepreneurs either consciously or unconsciously. At stage II, the informal planning process would change although the rapid growth of a company would place considerable demands on the entrepreneur's time and energy. As the company continues to grow, however, and once a critical size of the company has reached for one person to manage it, typically at stage III, formal planning method would be needed to keep the management informed and control the company's operations.



**Table 3.6.2 Management systems at different stages of companies' growth**

Growth Stages	Strategic Planning	Organisational Structure	Management Development	Control Systems
I.	Very informal "In entrepreneur's head"	Pre-functional	On-the-job training	Control through "personal observation"
II.	Basic corporate strategic plan	Functional structure	Basic management development program First-line supervisors Fundamentals of management	Personal management control system
III (A)	Corporate strategic planning	Functional structure	Basic management development program for all levels	Basic "MBO" System
(B)	Departmental strategic planning	Divisionalising	Advanced management development	Cost and profit centre control Performance appraisal system
(C)	Strategic planning is "a way of life" Divisional strategic plan	Divisional structure	Leadership development	Comprehensive control systems

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Flamholtz (1990)

Churchill and Lewis (1983) and Scott and Bruce (1987) proposed a five-stage model of a company's growth, incorporating (1) start-up, (2) survival, (3) growth, (4) take-off, and (5) maturity. They also agree that



during the start-up stage when the business is first conceived and established, the entirely creation is of its entrepreneur founder(s). These founders would be the most important assets of the business, providing all the necessary managerial skills, directions and capital. If the business survives, it would pass into the second stage of "Survival" where the business is financially viable and may even hire additional staff. At this stage, the entrepreneur would still remain in control of the business but undertake only minimal formal planning (Churchill and Lewis, 1983). Many companies continue to operate at this stage for a long period of time with single or limited product lines. Any growth would be driven by the natural market expansion (Scott and Bruce, 1987).

From the organisational development perspective, it is the third stage that is the most critical. At this stage, the business is usually economically strong, and has sufficient size and product-market penetration, which enable the company to sustain its present position. The size of a company is such that it requires professional managers to manage it. A successful growth strategy would take the business into the fourth stage of "Take-Off" or "Expansion". At this critical stage, the business would either succeed in developing into a big business or fail subsequently. As the business

continues to grow, its operations would become more formal, especially in its accounting and financial systems.

The fifth and final stage of “Maturity” or “Resource maturity” would see the company with sufficient resources to conduct formal strategic planning. The management structure would become decentralised, and there would be a separation between the ownership and the business, particularly in the area of financial and operational matters.

The above review prompted the need of this study to investigate and compare the strategic planning behaviours between high-growth and other local companies. High-growth local companies are likely to be in their growth or expansion development stage where their business is likely to be economically strong, and has sufficient size to penetrate overseas markets. While the conventional Western models suggests that the kind of planning employed in a company is contingent upon the stage of its development, and planning would evolve and become more formal and sophisticated over the life cycle of the business. This study argues that its planning behaviour would also subject to external influences. While the size of an organisation is one of the key determinants to determine the formality of planning, it can be

expected that as a result of external influences, it would also encourage smaller companies to carry out formal strategic planning. In the long run, the need and importance of developing long-term objectives and strategies would become more apparent to them, not only to use it merely to acquire external supports, but also to facilitate a better strategy formulating process, and good internal control and communication system.

### **3.7 THE NEED OF COMPANIES TO ENGAGE IN FORMAL STRATEGIC PLANNING**

From the literature review, it was realised that there is a consensus, among the theorists, that companies should engage in formal strategic planning. The reason argued for the use of strategic planning, among others, being that it will provide a structure for decision-making, and also facilitate organisations to take a long-term view of their business (Quinn, 1981; Orpen, 1989; Robinson and Pearce, 1984). The process of formalising strategic planning would force ideas and objectives to be thought out (Shrader et al., 1989), and as a result, a wide variety of alternative strategies

can be formulated (Robinson and Pearce, 1984), and subsequently, adopted (Lyles et al., 1993). Curtis (1983) argues that a formal search for alternatives is needed as it can highlight the advantages of pursuing certain alternatives, and encourage the rejection of others that may be initially intriguing but which really tied up business resources or time that could be better applied to the main activities of the business.

Particularly in today's business context where the business environment is increasingly volatile and uncertain, strategic planning has become an important tool for companies to cope with uncertainties and one of the key determinants of company's success and survival (Orpen, 1989; Robinson and Pearce, 1984). By anticipating changes, strategic planning can also simulate managers' thinking to develop company's goals and objectives, tackling future problems, seizing the right opportunities, and enabling organisational resources to be deployed effectively to achieve the objectives (Orpen, 1989). Strategic planning is also needed to provide mechanisms by which earlier strategic decisions can be confirmed. In fact, it has been argued that many changes that slip up on and surprise managers are those that can be detected using an analytical approach to strategy findings (Quinn, 1981). Formalising strategy making, by setting up a formal planning system, will



enhance managerial capabilities and exploration of new alternatives for increasing sales and improving companies' core competence (Orpen, 1985).

The author is convinced that company should engage in formal strategic planning to explore various alternatives and provide employees with clear goals and directions. It can also be used to set a standard against which future performance can be evaluated, or provide a benchmark or criteria against which organisational attainments can be measured (Macmillan, 1975; Kirk and Schell, 1990). The process of comparing attainments against objectives is necessary to reduce the chance of organisation proceeding erratically or incorrectly, as it enables deviations to be picked up and corrected before things get too bad or major mistakes are made (Macmillan, 1975; Kirk and Schell, 1990). In the process, it helps company provide lead-time for dynamic actions, and thus, constitutes a powerful tool to cope with growing competition and environmental uncertainties.

The need to formalise strategic planning is perhaps more apparent and crucial in Singapore where its local companies have to provide outside members of party, a basis for their analysis, evaluation and suggestions for

the overall firms' performance and operations, to gain the supports of the government and foreign MNCs. Moreover, due to increasing competition, it is would be necessary for companies to create an unique image of their business in the mind of their "potential" customers in order to differentiate themselves from their competitors. This can only be achieved through strategic thinking and formalised planning.

### **3.8 THE BENEFIT OF STRATEGIC PLANNING**

Despite the fact that there are still controversial views concerning the contribution of formal strategic planning to firm performance (Greenley, 1994; McKiernan and Morris, 1994), many quantifiable benefits are claimed to arise as a result of engaging in such planning process (Stern, 1966; Loasby, 1967; Hausler, 1968; Walker, 1976; Wilson, 1979). Researchers prescribed these benefits as "process" advantages, whereas practitioners perceived them as "potential" advantages. The benefits that prescribed by researchers include (Stern, 1966; Loasby, 1967; Hausler, 1968; Talyor and Irving, 1971; Walker, 1976; Wilson, 1979):

- The identification and exploitation of future marketing opportunities.
- Provision of an objective view of management problems.
- Provision of a framework for the review of plan execution and control of activities.
- Minimisation of affects of adverse conditions and changes.
- Relating major decisions effectively to established objectives.
- Allocation of time and resources effectively to identify opportunities.

- Provision for the co-ordination and combined execution of the tactics of the plan.
- Devotion of less resources and time to correcting erroneous ad-hoc decisions.
- Creation of a framework for internal communication between personnel.
- Allows for identification of priorities within the timing of the plan.
- Provision of competitive advantage over competitors.



The benefits experienced by practitioners as personnel advantages include:

- Helping to integrate the behaviour of individuals in the organisation into a total effort.
- Providing a basis for the clarification of individual responsibilities, giving a contribution to motivation.
- Giving an encouragement to forward thinking on the part of personnel.
- Stimulating a co-operative, integrated and enthusiastic approach to tracking problems and opportunities.
- Encouraging a favourable attitude to change.
- Giving a degree of discipline and formality to the management of a business function that would not exist without planning.

Several studies conducted, based on qualitative measurement of firm performance, convince that strategic planning actually pays in terms of the above benefits. Higgins and Finn (1977), for example, found that companies with the most experience of corporate planning were more successful than those with lesser period of experience. Talyor and Irving (1971) reported that all of the respondents in their survey were enthusiastic about the benefits of strategic planning although they did not cite the number who perceived these benefits. The examples of benefits given by their respondents as a result of engaging in formal strategic planning include:

- An indication of problems before they happen.
- A change of interests and attitudes of managers.
- A discipline that identifies change and allows for consequential action.
- The identification of a need to redefine the nature of the business.

- Improves co-ordination of effort towards pre-determined objectives.
- Enables managers to have a clearer understanding of the business.

Strategic planning probably has motivated companies to become more pro-active. Al-Bazzaz and Grinyer (1980) and Ang and Chua (1979), who investigated the benefits of strategic planning in two separate surveys, found that the awareness of problems, strengths and weaknesses, and able to explore more alternatives, were the most cited benefits given by their respondents. An article written by Greenley (1986) recognised other values and qualities that can be accrued as a consequence of utilising formal strategic planning. These benefits extend the intended advantages, encompassing not only the company but also its external environment. These benefits are considered “intrinsic” in the sense that they are inherent within the adoption of the planning process. Camillus (1975) used the phrase ‘intrinsic purposes’ in explaining these benefits. He purported six major

purposes of planning, of which, three are considered as direct advantages; namely, it is directly related to the planning process; whereas the other three are more concerned with the intrinsic value of planning which are related to the: (1) personal development of managers, (2) “mind-stretching” nature of planning, and (3) development of conceptual frameworks for managers to carry out the business.

From the literature review, the author is convinced that strategic planning can benefit companies at least in the following three ways, as proposed by Stoner and Fry (1987):

- (1) Strategic plan can set a formal direction for companies. In this aspect, it helps companies determine where their business is going. More importantly, it helps them determine where their business is not going, focus on specific objectives and stay there. Strategic planning, therefore, can create an environment where companies’ directions become clearer, and as a result, they can deploy their resources more effectively. Furthermore, by providing a clear



sense of business directions, staff can make crucial decisions and utilise their skills more effectively.

Stoner and Fry (1987) argue that, most workers possess a strong desire to know the direction of the company, and how their efforts could contribute towards attaining the company's overall business objectives. Where employees are able to understand the business objectives, they can become parts of the management team, be more motivated and willing to suggest ideas and exert the extra effort needed to give the business an edge over competition, rather than being frustrated and dissatisfied. Due to company's vulnerability, employees' inputs can make a difference between a business success and failure.

- (2) Strategic planning can be a powerful management tool, designed to help companies adapt competitively to anticipate environmental change and work in a

proactive mode; that is, in looking into the future, anticipating and planning for change. Strategic planning can also provide an overall view and analysis of business operations and its relevant environment; that is, in describing the firm current operating conditions and recognising key external factors affecting its success. As a result, it helps CEO/owner to proactively anticipate potential opportunities and position the company to reap these opportunities. Similarly, CEO/owner could also recognise impending threats and pursue decisive actions to deal with these threats before disaster strikes.

- (3) Lastly, strategic planning benefits companies by providing outside members of the board of directors or advisory board a basis for their analysis, evaluation and suggestions for the overall firms' performance and operations. This is essential, especially, when

companies intending to apply for external funding or assistance, or serving their parent company or foreign MNCs.

Regardless of whether or not formal strategic planning could contribute directly to better firm performance, it can benefit companies in several different ways that will indirectly contribute to their success. Some of these benefits, which have already been mentioned and are also cited in the literature, include providing (1) inputs for strategic decision-making, (2) a discipline for long-term thinking and forum for communication of strategic vision, both within and outside an organisation, to impress or influence outsiders, and (3) a form of control mechanism and record for use in reviewing company's progress and making needed course correction.

The above benefits echo Curtis' view (1983) that 'the development of a business plan allows appropriate aspects of it to be communicated to managers and employees in an understanding way, in an organisation, so that they could participate more effectively in achieving long-term performance

improvement and other objectives sought'. In a long run, it can be expected that companies with more experience in formal strategic planning will become more successful when compared with those with less or little experience in such planning.

### **3.9 RESEARCH EVIDENCES ON LOCAL COMPANIES' STRATEGIC PLANNING BEHAVIOURS**

Despite the normative literature advocating planning that it could benefit organisations by facilitating the making of better decisions through the use of a systematic, logical and rational approach to strategic thinking, it is still not widespread, especially, among the small and medium-sized enterprises (SMEs). The STRATOS group (1990), for example, in their study of eight European countries, found that there were only one-in-every six SMEs engaged in formal strategic planning. Even if they plan, the keynote to their planning process, as suggested in the literature, is "informality" (Unni, 1981). The literature argues that strategic planning in SMEs involves no more than "applying common sense" which most typical



small business peoples have (Golde, 1964). Still (1974) observes that the planning behaviour of SMEs is unstructured, irregular and incomprehensive. Their knowledge in planning, as a whole, is inadequate. Golde (1964) agrees and argues that,

*‘.....the basic tendency of small business is to shy away from planning .....the struggle for day-to-day survival in small companies saps the amount of attention which can be devoted to planning.....’*

Golde (1964) continues to argue that the owner/managers of SMEs have to handle almost all of the functional areas that a large company has, yet the size of an SME does not permit of hiring even one person for each function. Their daily struggle to keep their business alive, in an increasingly competitive and uncertain environment, often forces strategic planning out of the owner's schedule. Strategic planning, therefore, is often seemed as a useful fringe to be performed if only when time permits. Gilmore (1971) echoes that,

*‘.....Strategic planning is often viewed by SMEs  
as a luxury that can only be afforded by large  
corporations.....’*

Some smaller companies do not plan simply because they do not see the need to state their objectives formally, as they perceive it to be self-evident or having no potential payoff from engaging in it on a formal basis at least (Stoner and Fry, 1987). Others argue that sufficient information about the environment, and their own strengths and weaknesses can be obtained without the need to formalise their thoughts in order to function effectively (Cohn and Lindberg, 1974). Yet, there are those who argue that those companies that had done well were not because of their well-planned strategies, but of their personal drives and sheer momentum. What it is needed is a right kind of imagination to the future with some degrees of accuracy. Because of their lack in planning, smaller companies are often being perceived to have fewer strategic options than their larger rivals in fending off competition (Khandwalla, 1981; Kotler, 1988; Porter, 1980;

Welsh and White, 1981). The strategies that they have, are thought to be simply methods use to make and sell their products or perform services which are often determined by their reactions to the economic events beyond their control.

In Singapore, local companies<sup>6</sup> were found to be generally in favour of strategic planning although they are still relatively unfamiliar with the use of strategic planning tools and concepts, such as the experience curve and the Boston Consulting Group approach (Ghosh, 1992). Lee (1986) attributes the planning behaviour of local companies to the dominant role of the CEO/owner. Ghosh (1992) affirms and indicates that,

*'.....the strategic directions and the ultimate growth of a company is influenced by the CEO/owner.....'*

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<sup>6</sup> Also include local SMEs

Ghosh (1992) found that the environmental threats and opportunities were among the chief prompters of strategic planning. A considerable attention of local companies' planning was given to forecasting and analysis of competitors. Interestingly, it was observed that the CEOs of those local companies that had higher quality of planning were not the owners or major shareholders, but they were also employees of the companies (Ghosh, 1992). It was observed that by virtue of being employees, they were more objective in their strategic decision-making. They had more time to plan, as they were relatively free from the problem of ownership and financial matters. Ghosh (1992) also found that those companies that were better managed had better quality and attitude of the CEO; and those that had an excellent growth rate had qualified managers in the top management strata. They had more managerial experience and were better trained for their roles than the others.

Tan (1996) in his study has provided an indication of the state of local companies' planning behaviours in Singapore. His study reveals that there were one-in-every three local companies engaged in formal strategic planning. While this ratio may not be significant, according to the researcher, it is nonetheless larger than the figure indicated by the STRATOS group's finding (one-in-every six SMEs). This finding implies that Singapore



companies are more likely to engage in formal strategic planning than those in the Western countries.

### **3.10 SUMMARY**

The literature review focuses on planning in smaller companies. It describes the role of planning and how it is applicable to local companies in Singapore. The author argues that the strategic planning models developed for smaller businesses in the literature are applicable to local companies, as these planning models are not unwieldy in their approach, complete yet practical, comprehensive yet understandable. The planning models, in fact, have evolved to an extent that, thus far, they can provide a practical and yet jargon-free and user-friendly route map to guide smaller companies along the path to successful strategic planning. Local companies, therefore, are expected to utilise these models as they utilise government initiatives, service foreign MNCs and invest overseas. This chapter argues that the influence of utilising government initiatives, servicing foreign MNCs and internationalisation would change the strategic planning behaviour of local companies towards more formalism.

The literature reveals that strategic planning behaviour of smaller companies would depend on the attitude of the CEO/owner towards planning and the stage of organisational development. What can be normally expected is that high-growth local companies would carry out more formal strategic planning than other local companies as a result of different development stage. In comparison, high-growth local companies are economically stronger and would have sufficient size and greater product-market penetration than other local companies. While the size of an organisation is one of the key determinants to determine the formality of strategic planning, it can be expected that as a result of external influences, it would also encourage smaller companies; that is, other local companies, to undertake a much more formal strategic planning than they normally would.

# CHAPTER 4

## Research Hypotheses

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Chapter 3 reviews the literature, and argues for the need of companies to engage in formal strategic planning in their business operations. According to the literature, strategic planning is thought to be an important tool for companies to cope with anticipated changes. It also helps companies to seize the right opportunities as they arise, taking into consideration of the organisational strengths and weaknesses. This chapter shall formulate four research hypotheses, based on the Singapore unique situation and the literature review, to determine the effect of external influences on strategic planning process of high-growth and other local companies in Singapore. This research also determines and compares the difference, between high-growth local companies and other local companies, in their strategic planning behaviours. The hypotheses will be tested by this research to

determine the answer to the research questions described in chapter one of this thesis. The theoretical background of formulating the hypotheses and how the greater influence of external forces leads to a greater formality in strategic planning in local companies will be discussed in this chapter.



#### **4.1 EXTERNAL INFLUENCES ON LOCAL COMPANIES' STRATEGIC PLANNING PROCESS**

This study depicts that local companies undertake formal strategic planning is not only attributable to the internal characteristics of a firm, but it is also attributable to external influences. External influencers not only have the power or intent to control companies from the outside, but they also must have a pointed basis for control in order to succeed. Obviously, planning is one of the several ways in which external influencers can exercise significant control on influenced companies. This is even more so when the controlling organisations or corporations, themselves, also utilising planning system as a mean of controlling their business operations. This is typically found in the case of a parent company controlling a subsidiary, or foreign MNCs intend to control the operations of smaller companies.

In the case of Singapore, it can be expected to find the government also exerting significant influences on the operation of local companies, and on their strategic planning process as they seek to utilise government initiatives to support their growth. The utilisation of government initiatives could impose certain planning requirements on participating companies, at

least, require them to state their goals, commitments and intended contributions to the economy formally prior to the utilisation.

The evidence of success of the government's intervention on smaller companies' strategic planning process can be found in the literature (Chrisman et al., 1985; Pelham, 1985). Nahavandi and Chesteen (1988) conclude that the strategic assistance provided by the Small Business Development Centres [SBDC] in the United States [U.S.] possesses significant impacts on small businesses, and it is associated positively with the perceived value of its services. A report published by the Economic Development Board [EDB] of Singapore indicated that many local companies had utilised government initiatives to embark on their new growth paths and become successful in their respective field (EDB, 1993).

The powerful effect of external control by foreign MNCs on the propensity for planning in smaller companies is also evident in the literature (Denning and Lehr, 1972; Al-Bazzaz and Grinyer, 1983). Ghosh (1992) indicates that collaboration with foreign MNCs requires a stringent reporting relationship on the part of local companies. This includes the need of local companies to formalise their strategic planning to specific their long-term

commitment in servicing their foreign counterparts. It is also cited in the literature that the integration of smaller companies' strategic planning into foreign MNCs' planning system is one of the important considerations for a strategic alliance to succeed (Lorange and Roos, 1992; Kukalis and Jungemann, 1995).

The literature also indicates that as companies becoming more internationalised, they would develop a better control and monitoring system to manage their more complex business activities and operations (Baird, Lyles and Orris, 1994). It was also argued that it is only when companies established a clear sense of strategic direction, could they choose the best partner or network to operate in, which could improve the likelihood of their success (Cavusgil and Zou, 1994). The various forms of international activities that companies engaging in, would also affect the formality of their strategic planning process (Baird, Lyles and Orris, 1994).

In chapter 2, it was anticipated that high-growth local companies are more likely to utilise government initiatives, servicing foreign MNCs and invest overseas than other local companies, as they have greater capacity and capabilities to seize these opportunities. According to the SME Master Plan,



the government intends to help innovative start-ups and local companies that possess critical mass, commitment, capacity and capabilities to grow and develop (EDB, 1989). This implies that high-growth local companies, which are more able to grow and innovate, are more likely to utilise the initiatives. As a result, it can be expected that they are more likely to develop a good system of formal strategic planning closely allied with the government and foreign MNCs, and invest overseas than other local companies. The extent of utilising government initiatives, servicing foreign MNCs and internationalisation, therefore, is expected to possess a more significant influence on high-growth companies' strategic planning process than on other local companies. This study, therefore, proposes that:

- 1. The extent of utilising government initiatives possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies.*



2. *The extent of servicing foreign MNCs possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies.*

3. *The extent of internationalisation possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies.*

## **4.2 STRATEGIC PLANNING BEHAVIOUR OF LOCAL COMPANIES**

The literature, thus far, indicates that formal strategic planning is not commonly practised, especially, among the smaller companies. This is despite the fact that much encouragement has been given in the literature that it could benefit companies in facilitating a better decision-making, and helping them to take a long-term view in their business (Shrader, Mulford and Blackburn, 1989). Through the use of a systematic, logical and rational approach, the literature also indicated that strategic planning could increase strategic choices of smaller businesses, and help them improve their performances (Lyles, Baird and Kuratko, 1993).

One major study carried out in the European countries found that there were only one-in-six small and medium-sized enterprises [SMEs] engaged in formal strategic planning (STRATOS Group, 1990). Another study, in the United Kingdom [U.K.], reveals that many of its SMEs were failing to plan strategically for the future (Chartered Institute of Management Accountants, 1999). The keynote to strategic planning described for smaller companies in the literature is “informality” (Golde, 1964). Their so called “strategic planning” involves no more than applying common sense which

most small business peoples have. Their planning and control procedures are ad hoc. Details are fuzzy and not pinned down.

A general observation on smaller companies reveals that their planning involves short-term horizon; is unstructured, irregular and incomprehensive (Still, 1974). It was also argued that their knowledge in planning is inadequate (Unni, 1981). Worse still, the amount of their management time available for planning is at a premium (Golde, 1964). This is mainly because of the size of the company that does not permit of hiring one person for each function. The CEO/owner, as a result, has to handle many functional areas in the company, leaving him no time to carry out planning (Golde, 1964). Strategic planning, therefore, is often viewed by smaller companies as a luxury activity which can only be afforded by larger companies (Gilmore, 1971). Their daily struggle to keep their business alive often forces strategic planning out of the CEO/owner's mind.

In Singapore, a recent study (Tan, 1996) revealed that there were one-in-three local companies engaged in formal strategic planning. This figure is comparatively larger than that of the STRATOS Group's findings (STRATOS Group, 1990). This could suggest that local companies are more

likely to engage in a formal strategic planning process than those “similar size” companies in the Western countries would. While the literature may describe the strategic planning behaviour of a typical SME, this study argues that the description may not apply to local companies in Singapore, typically, those companies that are experiencing external influences.

In comparison, high-growth local companies have greater capacity and capabilities than other local companies to develop closer strategic alliance with the government and foreign MNCs, and invest overseas. Worchester (1970) indicates that a company’s growth would require a particular management style. This describes for high-growth local companies in Singapore where their organisational structure is expected to be more decentralised when compared to that of other local companies. Notwithstanding the need to plan for external advisory purposes, high-growth local companies would need to implement a more formal and sophisticated strategic planning to keep the company informed of its more decentralised business activities and control its business operations than other local companies. According to the literature, companies at the growth/expansion stage must make this necessary progression towards a more strategic orientation in order to achieve a long-term success in their



business (Flamholtz, 1990). Strategic planning would evolve and become more sophisticated over the life cycle of a business (Robinson and Pearce, 1984; Scott and Bruce, 1987).

In contrast, other local companies, even though they would engage in a formal strategic planning process, are expected to carry it out using a few rules and guidelines. The literature argues that the management of smaller companies is often more reluctant in granting or delegating decision-making freedom to their subordinates than larger companies (Goffee and Scase, 1985). Their planning is exercised primarily through direct contact as the owner often takes all, if not, almost all major decisions himself according to the need of the company, and the opportunities as it arises (Churchill and Lewis, 1983). Notwithstanding that, one study (Ghosh, 1992) found that the CEO, being also an employee, was more objective in making strategic decisions than the others who held major shares in a company. Those companies where the CEO is also an employee are more likely to employ professional managers to manage their typically more complex business activities than the others, as a rapid growth of a business would place considerable demands on the CEO's time and energy to manage the business alone (Flamholtz, 1990).

The literature also argues that the lack of time, skills and knowledge of a business, and the environment often hinder companies from engaging in a formal strategic planning process and cause deficiencies in their planning system (Curtis, 1983; Barker et al., 1993; Peterson, 1984). It is, however, argues in this study that high-growth local companies would carry out more formal and rigorous strategic planning than other local companies, as the time and expertise are often at their disposal. The last hypothesis, therefore, argues that:

4. *High-growth local companies engage in a more formal and rigorous strategic planning process than other local companies in their business operations.*

### **4.3 CONTRIBUTION OF EACH RESEARCH HYPOTHESIS TO THE LITERATURE**

This research primarily determines the effect of external influences on local companies' strategic planning process. It would contribute to the literature in several ways. The first and second hypotheses determine the important role of the government and foreign MNCs in encouraging local companies to develop a formal strategic planning system closely allied with theirs. The third hypothesis reflects the need of local companies to formalise their strategic planning prior to internationalisation. As a result of the external influences, this study would illuminate the strategic planning behaviour of local companies, and test the robustness of the conventional models of planning in smaller companies described in the literature.

The last hypothesis determines and compares the difference in the strategic planning behaviour between high-growth local companies and other local companies. It could lead to further research to determine the contribution of formal strategic planning to company's performance. It would also change the mind-set of smaller companies and their perception that formal strategic planning is not a luxury but an essential activity needed

for their business. Although planning in smaller companies is often hindered by the constraint of time and expertise, this study determines that they can be encouraged to plan formally and strategically if they are told how to do it. In fact, the literature often argues that smaller companies should make this necessary progression towards a more formal strategic orientation in order to achieve a long-term success in their business (Flamholtz, 1990).

The answers to the hypotheses could encourage smaller companies to adopt a more positive and proactive attitude towards formal strategic planning, which they can afford. This research, finally, could provide revenues for future research to explore and compare other attributes of planning between high-growth local companies and other local companies in Singapore. Further research could determine and compare the key success factors of high-growth local companies and their other distinctive capabilities in which other local companies could learn from them. Other suggestions for further research are given in chapter 8 of this thesis.



# CHAPTER 5

## Research Design and Methodology

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This chapter discusses the research design and methodology applied in this study. It, first of all, determines the advantages and disadvantages of using, and identifies various instruments used in the quantitative and qualitative research methods. These instruments include personal interview, telephone interview and mail survey. It then justifies the use of quantitative research method in this study based on the general principles from the research methodology literature, followed by a discussion on its limitations. The chapter continues to discuss the design of a self-administrated questionnaire and the link between the hypotheses formulated in chapter 4 and the questions developed in the questionnaire.

The chapter then reveals different opinions of other researchers regarding the use of two types of research samples; namely, industry-specific sample and generalised sample. Both types of research samples are often used in empirical researches. It then discusses their opinions and gives reasons for using the generalised sample in this study.

The chapter then continues to discuss the selection of two research samples; namely, high-growth local companies and other local companies, from different industry sectors for this study. It also gives reasons for using the cluster sampling method to select the samples, its appropriateness and limitations, and the necessity of using the method. Finally, it describes the process of collecting primary data and determines the number of companies responded to the survey. It also discusses the validity of the analysed results based on the number of responses from the statistical viewpoints.

## 5.1 RESEARCH METHODOLOGY

The research methodology literature indicates that primary data can be collected by two means; namely, passive and active data collection. The distinction between these two methods<sup>1</sup> has to do with whether or not there are written or verbal questions directed to the response element during the data collection process. Contemporary business research, however, often relies on the use of active data collection method in the conduct of research inquiry (Davis and Consenza, 1995). The major reason for this reliance is based on the fact that business, in and of itself, is largely a social phenomenon dealing with people. As a result, much of the data needed for the research and to make decisions has to come from people themselves. Various instruments such as personal interview, telephone interview and mail survey that are frequently used in social sciences and management studies have been discussed and debated in many statistical texts (Davis and Cosenza, 1993; Blank, 1984; Cooper and Schindler, 1998). The advantages and disadvantages of using these instruments have also been discussed sufficiently (Sedlack and Stanley, 1992). Comparison on the use of these

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<sup>1</sup> Passive data collection involves the observations of characteristics from individuals, objects, organisations, and all other entities of interest in the course of business research. Active data collection involves the querying of respondents by either personal or non-personal means.



instruments, however, is difficult, as no one instrument is best used in every situation.

According to the literature, purely quantitative research method can be used most appropriately in situation where the researcher wants to measure specific characteristics of subjects (Davis and Consenza, 1995). It, however, requires the use of structured data collection procedures with oftentimes, large sample so that the results can be representative of, and projected to the entire population. Conversely, the qualitative research method is used most appropriately in situation where in-depth investigation of subjects is required. It can either use unstructured or semi-structured data collection procedures that involve a very limited sample. Unlike quantitative study, however, qualitative analysis would make no attempt to be representative of the entire population. It is frequently meant to be impressionistic rather than definitely analytical. The goal is mainly to understand the texture and nature of the phenomenon in a holistic sense, rather than to numerically measure and analyse a predetermined set of variables. It is, therefore, often used in exploratory stage of the research process when the researcher possesses a very low degree of understanding of the problem situations. Which one of the above instruments can be used most



appropriately in research, however, depends on the need of each research, besides taking into consideration of the time and cost factors.

The instruments that are frequently used in qualitative study involve personal and telephone interviews. These instruments<sup>2</sup> offer a great deal of flexibility and advantages. Among others, the interviewer can exercise control over the environment and probe for more specific answers, or repeat a question when the response indicates that the respondent misunderstood the question. The presence of an interviewer can also improve the response rate, identify the reasons for refusals and make attempts to overcome them. The interviewer can also act with spontaneities that increase the chance that information collected is honest and truly reflects the feelings and opinions of the respondents. The interviewer can also ensure that all of the questions are being answered which eliminates the necessity of throwing out partially completed questionnaires, and thus, further increasing the response rate for the study.

The limitation of using the qualitative research method, however, is that it lacks of accessibility to respondents for a large sample. Because of a

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<sup>2</sup> The two major types of qualitative research techniques can be used; namely, either individual in-depth interviews or group-in-depth interviews, also known as a focus group.

limited research budget, it is usually not possible to include the entire population in a sampling frame. That is being the case, quantitative research method would be more useful than its qualitative counterpart to cover a wider area and thus, increase the size of the sample far beyond that which can be studied if the qualitative research method were used. Moreover, the quantitative research method can also obtain data on a wide variety of subjects. Since this study focuses on local companies in different industry sectors, and hence, it requires a great deal of data information, quantitative research method is found to be more suitable and appropriate as it enables data from different industries to be collected simultaneously in a very short time-frame. Furthermore, this method allows for statistically valid comparison between two samples, which is the main focus of this study.

The quantitative research method used in this study involves mailing of a self-administrated questionnaire to the participating companies, and collect information from them. The mailing method was used for several reasons. First, it provides the cheapest mean of collecting primary data than the personal and telephone interviewing methods. Given the same length of questionnaire and sample size, it could be estimated that a complete questionnaire administrated by mailing would cost approximately 50% to

70% lesser than the one administered by personal and telephone interviewing methods respectively. Mailing, therefore, offers the best option, given the tight budgetary confines in this study.

Second, having a well-designed and focused self-administrated questionnaire, mailing requires less complicated data collection procedures, and provides the ease for subsequent data analysis. Moreover, each respondent can be exposed to exactly the same wording of each question, and thus, it eliminates one source of potential bias that could occur in the personal and telephone interviewing methods.

Last, but not least, mailing allows for respondents to consult their records before answering the questions. Unlike personal and telephone interviewing methods, respondents responding to a mail survey do not have to rely on their memory alone. Because of the fact that the respondents are able to complete the mailed questionnaire at their own convenience, they would have time to check on their records to get a more specific and accurate information before making their reply to each question. The responses receiving from mailing, therefore, would be more specific and accurate when



compared to those receiving from the personal and telephone interviewing methods.

The use of quantitative research method, however, has several limitations that are often associated with the use of its mailing instrument and self-administrated questionnaire. Considerable thoughts, therefore, had been taken in the design of the questionnaire and during the data analysis phase to overcome the limitations. The first limitation is that of its associated low response rate. It was recognised frequently in past empirical researches that a researcher could hardly expect more than a 20% response rate in the mail survey. In management studies, however, a response rate of 30% is considered satisfactory, while in general, a response rate of at least 50% is considered to be adequate (Blank, 1984). Although the combine-use of pre-mailings, follow-up contacts and incentives could possibly increase the response rate; in the best case scenario, however, the response rate would not be better than that obtaining from using the personal and telephone interviewing methods.

The second limitation concerns the accuracy of answering questions by respondents. Using mailing, the researcher has no control over the



environment and question order, as he is not present to probe, clarify and motivate the respondents to complete it. The mail questionnaire, therefore, could be answered in different orders that could lead to misinterpretation of questions. Furthermore, someone other than the addressee could answer the questionnaire. In this case, the view of that someone answering the questionnaire on behalf of the addressee may not fully represent his/her personal views. These questionnaires, therefore, may have to be excluded to avoid bias in the analysis which, on the other hand, would result in an already low response rate for the study.

Last, but not least, the third limitation concerns the reliance on self-selecting sample. Although the sample could be systematically determined prior to sending out the questionnaires, only self-motivated respondents would complete and return the questionnaire back to the researcher. These responses may be bias and do not represent the entire population. The analysis of the responses, therefore, may not give a reasonable interpretation for the population unless some attempts are made to deduce what those people who did not respond might have said which can be quite difficult to achieve in most cases. The literature suggests that the significance of non-response bias can be analysed using the 'wave' extrapolation method where

respondents who responded in the later waves are assumed to have responded because of increased stimulus, and therefore, they are similar to, and represent the non-respondents (Armstrong and Overton, 1977).

In the data collection phase, efforts had been put, even in the writing of a cover letter, to encourage only the intended person; that is, the CEO of the company, to respond to the survey. The respondents were also informed of the importance of the survey as it matter the economy of the country and government initiatives that would help their company grow and develop. The importance of the clarity of questionnaire was also emphasised in the design phase. The questionnaire was written in plain statements so that the addressees could understand and respond to the survey without difficulties. Furthermore, the questionnaire was designed in such a manner that it can be answered in different question orders to minimise misinterpretation of the question meaning. A copy of the self-administrated questionnaire can be found in the appendices of this thesis. The design of a self-administrated questionnaire and the process of collecting primary data will be discussed in more details in the section 5.2 and section 5.4 of this chapter respectively.

## 5.2 DESIGN OF A SELF-ADMINISTRATED QUESTIONNAIRE

The design of a self-administrated questionnaire for this study was carried out in two phases to measure the variables of interest. According to the literature, the design of a self-administrated questionnaire has to consider the appropriateness of the questions being asked (Davis and Cosenza, 1993). This includes its clarity, and whether or not it is posed in a way that it provides the information, and for subsequent analysis that the researcher requires. In accordance to the statistical texts (Davis and Cosenza, 1993), the design of a self-administrated questionnaire can be either open-ended or closed-ended<sup>3</sup>. The chief problem with the use of an open-ended questionnaire is that the respondents must be highly motivated in order to complete it. This characteristic of the respondents, unfortunately, is rarely observed in most cases. Moreover, the responses from an open-ended questionnaire can be difficult to analyse, as it can be so numerous that analysis becomes onerous and time consuming. This study, therefore, adopts the use of a closed-ended questionnaire. Although a closed-ended

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<sup>3</sup> Open-ended questions are those that respondents have total freedom to answer as they please. Closed-ended questions are those where the number of responses is limited by the researcher.



questionnaire is easier to analyse when compared to an open-ended one, it requires careful design and administration.

The design of a closed-ended, self-administrated questionnaire for this study followed the guidelines provided in the statistical texts, in order to minimise non-sampling errors due to item misinterpretation, falsified, and inaccurate answers (Davis and Cosenza, 1993; Blank, 1984; Cooper and Schindler, 1998). In the first phase of the design process, the format and content of the questionnaire were first drafted based on a set of research objectives to obtain the information that the researcher requires for his analysis. Staff and the MBA students from the Nanyang Technological University [NTU]<sup>4</sup> were the focus group where the researcher gathered the opinions of other academic experts.

Modification that was made to the questionnaire after consultation from the focus group included rephrasing of questions in the questionnaire to make it easier for respondents to understand and respond to it. The content of the questions was also modified to make it more relevant to the local

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<sup>4</sup> Nanyang Technological University is one of the two national universities in Singapore.



context. After a few iterations of drafting and proof reading, a five-page questionnaire was developed.

During the design stage, there was a conscious effort, as suggested in the statistical texts (Davis and Cosenza, 1993; Blank, 1984), not to make the questionnaire ambiguous or too long. Otherwise, it would deter respondents from responding to it. The developed questionnaire was then piloted with four actual companies, so that it could be further modified to minimise errors and biases prior to sending it out to the intended companies to collect primary data.

The self-administrated questionnaire was developed in three parts. The first part (A1 - A9) of the questionnaire was designed to capture general but important information pertaining to local companies' operations. This information was utilised in this study to determine the profile of high-growth and other local companies in Singapore. The questionnaire was designed to prompt respondents to indicate the followings: their company's core business and sector of industry (A1); fixed assets, number of employees, and preceding year sales turnover (A2); the number of years their company has been in its core business (A4); and the company's business organisation

(A5). The size of a local company in this study was measured based on the reported number of employees and fixed assets investments. Respondents were also requested to provide information pertaining to their company's export sales (A6), overseas investment (A7), mode of entry into overseas markets (A8), and a list of overseas countries that their company has invested in (A9). This information was used to determine the extent of overseas investment by local companies.

The second part (B1 - B9) of the questionnaire was designed to capture more in-depth information to test the fourth hypothesis using a simple category scale and the Likert scale. The principle of using the Likert scale follows the recommendation of the statistical texts (Blank, 1984; Cooper and Schindler, 1998). The fourth hypothesis stated that high-growth local companies are likely to engage in a more formal and rigorous strategic planning process than other local companies in their business operations. The evidences of local companies engaging in a formal strategic planning were determined using the following tests. These include (1) the existence of a planning department or planning activities in a company; (2) the amount of emphasis the company placed on producing written documents; and finally, (3) the amount of emphasis the company placed on involving in a formal

strategic planning process. The above tests were used in order that the formality of strategic planning, practised by local companies, can be determined conclusively. The determination did not only base on what the company had or produced; that is, it was not only based on the evidence of a planning department, planning activities or written documents, but it was also based on how the company had carried out their strategic planning. These tests were also used in many past empirical researches (Wood and LaForge, 1981; Robinson and Pearce, 1983; Grinyer, Al-Bazzaz and Yasai-Ardekani, 1986; Rhyne, 1986).

Using a simple category scale<sup>5</sup> and the above tests, the questionnaire prompts respondents, first of all, to indicate whether their company has a planning department or staff dedicated to undertake the company's planning activities (B1). Respondents were also requested to indicate whether or not their company had produced an explicit mission statement and goals (B2). They were also asked to indicate, using the Likert scale, the extent of their company engaging in planning activities relating to its finance, operations, marketing and business strategy (B3), and producing written documents of its planned activities (B4).

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<sup>5</sup> This scale is particularly useful where a dichotomous response is adequate.

Respondents, finally, were requested to indicate the peoples who were involved in, and responsible for corporate strategic planning (B5); how often this plan was revised (B6); and the objectives these peoples considered important when formulating the corporate strategic plan (B8). These peoples, whom the respondents asked to indicate, include the company's planner, the CEO/managing director, external consultants and department managers.

The extent of formal strategic planning process engaged by local companies was determined, using the Likert scale<sup>6</sup>, based on a set of the following formal strategic planning process elements which were determined from past empirical researches (Ramanujam and Venkatraman, 1987; Venkatraman, 1989; Langley, 1989; Dean and Sharfman, 1993, Fredrickson and Mitchell, 1984).

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<sup>6</sup>This scale is a widely accepted and adopted technique in social sciences and management studies.



## **1. Systematic or rational planning approach**

According to strategic rationality, effective strategies can be achieved through a systematic approach carried out in a rational manner. The extent of companies' reliance on the systematic and rational analysis was used in this study as an indication to which they believe in strategic rationality.

## **2. Use of extensive and thorough analysis**

Extensive and thorough analysis was used in this study as suggestive of the extent to which companies had carried out their strategic planning formally. This is consistent with the formal strategic planning models developed in the literature which emphasise on being "comprehensive" both in making and integrating strategic decisions (Fedrickson and Mitchell, 1984). The proponents of strategic rationality also agree that strategic decision making at the organisational level should approximate the rationale economic model by attempting to be exhaustive in a variety of decision activities (Ramanujam and Venkatraman, 1987).

### **3. Use of analytical (state-of-the-art) techniques**

The degree of reliance on analytical techniques and methodologies was used in this study to indicate belief in rational assumptions and formal analysis in strategic decision making. This is also often used in many past empirical studies as a valid and reliable indicator of strategic rationality (Fedrickson and Mitchell, 1984; Ramanujam and Venkatraman, 1987; Venkatraman, 1989; Langley, 1989; Dean and Sharfman, 1993).

### **4. Use of management information system**

Management information system is considered in this study to be an integral part of any synoptic formal organisation. The utilisation of this system for planning was used as an indicator of strategic rationality. This is consistent with the assumption of strategic rationality to the effect that strategic problems can be tracked by formal organisational systems (Ramanujam and Venkatraman, 1987; Venkatraman, 1989).

## **5. Emphasis on quantification/numbers**

Finally, strategic rationality assumes that problems can be quantified and formalised. This study, therefore, used the emphasis of companies placing on quantification or numbers as an indicator of strategic rationality, since it reflects strategic rational tendencies in organisational decision making.

Using the above elements, respondents were requested to determine, on the Likert scale, the amount of emphasis their company placed on utilising each of the elements when formulating the corporate strategic plan (B7-1 to B7-6). The questionnaire was also designed to prompt respondents to indicate other approaches in which their company might have sought when making the corporate strategic decisions. These approaches included relying on 'gut feeling' (B7-7); 'iterative process' (B7-8); and 'past experiences' (B7-9). Respondents were also prompted to cite the barriers, if any, that had hindered their company from engaging in a formal strategic planning process (B9).

The last part (C1 - C4) of the questionnaire was designed to examine the extent of external influences on local companies' strategic planning process using the Likert scale. The last part of the questionnaire was divided into three sections to test the first, second and third hypothesis of this study respectively. The first hypothesis stated that the extent of utilising government initiatives possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. The extent of utilising government initiatives by local companies was assessed based on the number of initiatives they utilised. This has to be indicated by respondents based on a set of questions asked in section C1 of the questionnaire. From the indications, the relevance and the extent of government initiatives utilised by local companies were determined. The impact of utilising government initiatives on local companies' strategic planning process was assessed based on the respondents' rating on the Likert scale of the questions being asked in section C2 of the questionnaire.

The second hypothesis stated that the extent of servicing foreign MNCs possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. To test this hypothesis, respondents were, first of all, prompted to indicate the extent



of their company's business dependence on foreign MNCs (C3-1a), followed by the company's business relationship with their foreign counterparts (C3-2a). The impact of servicing foreign MNCs on local companies' strategic planning process was assessed based on respondents' rating on the Likert scale of the questions being asked in section C3 of the questionnaire.

Finally, the third hypothesis stated that the extent of internationalisation possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. Similarly, the impact of internationalisation on local companies' strategic planning process was assessed based on respondents' rating on the Likert scale of the questions being asked in section C4 of the questionnaire. The extent of each external influence on local companies' strategic planning process was analysed using the Pearson correlation analytical method. The analysis will be discussed in more details in chapter 6 of this thesis.

### **5.3 SELECTION OF RESEARCH SAMPLES**

The understanding of sampling, utilised in this research, relied on the validity of cumulative empirical generalisation developed by past empirical researches. In the statistical texts, many sampling methods were also introduced (Blank, 1984; Cooper and Schindler, 1998). These methods which include random sampling and non-random sampling are often used in social sciences and management studies. The non-random sampling comprises of systematic sampling, stratified sampling, multistage sampling, quota sampling and cluster sampling. In practice, sampling is used when a population is too large, and census survey can never achieve the completeness required. Occasionally, however, a population may be small enough that all of it can be examined completely.

According to the sampling theory, the method of sampling requires that the data collected should be complete; that is, it should cover all areas of the population to be examined or else it will be biased. In other words, sampling must be such that it is rigorous and representative of a well-specified population (Aldag and Stearns, 1988). This has enlightened the thoughts, in the selection of survey sample for this study; that is, whether it

should be industry-specific or selected from a whole spectrum of companies in different industry sectors.

Through the review of the literature, different opinions have been provided for, and against the use of a generalised sample. On one hand, Bracker and Pearson (1985) argue that the use of industry-specific sample would provide a more representative answer. This was echoed by Kudla (1980) who argued that the level of profitability could be affected by different industries in which companies operate, and as a result, comparison between different industries on their profitability and growth would be unreasonable.

On the other hand, another school of thoughts that supports the use of generalised sample defends their stand by saying that firms' planning process is somewhat similar regardless of their industry type. Mintzberg (1990) argues that the decision and planning process of firms are more likely to be a function of the common nature of entrepreneurial firms, rather than the industry in which they involve. It is, therefore, reasonable to argue that the results deriving from a generalised sample could depict the situation in different industries. In the opinion of the researcher, however, whether a



sample has to be generalised or industry-specific depends on the objectives of the study.

Since this study involves the investigation on government initiatives that are made available to local companies in different industries, it was decided, after a much considerable thought, that the survey sample used in this study should be generalised. This is to ensure that the overall influence of government initiatives on local companies' strategic planning process can be examined conclusively. Another argument put forth for the use of generalised sample is that the effect of external influences considered in this study should affect local companies in somewhat similar ways as they are operating in a similar environment<sup>7</sup>. It can be argued, therefore, that the use of generalised sample is more suitable for this study than the industry-specific one.

In this study, two groups of local companies; namely, high-growth local companies (first sample) and other local companies (second sample), were selected for comparative analysis, to examine the difference in their strategic planning behaviours and the extent of external influences on their

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<sup>7</sup> Those companies in the samples would be utilising government initiatives, servicing foreign MNCs and investing overseas.



strategic planning process. The first sample comprised of all (78) high-growth local companies in Singapore<sup>8</sup>. They are recognised by the Singapore government as the most enterprising private-held companies. The number of high-growth local companies in Singapore is considered to be relatively large given the small size of the Singapore economy, which depends significantly on foreign investments.

The nature of selecting the first sample for this study is appropriate. The selection of high-growth local companies was carried out by the Andersen Consulting group and The Business Times, supported by the Economic Development Board [EDB] of Singapore. The selection is stringent, and considered to be a reliable procedure by the Singapore government. It used a balanced scorecard of various key performance measures that emphasised on both the absolute company financial and *growth* performances. It included measure on company's operating profits, *growth* in profit, turnover, *growth* in turnover, return on assets, and its contributions from overseas operations, over the preceding 4-year period.

The time-span of 4 years was chosen by the consultants as the key emphasis to gauge the sustainability of company's *growth* performances.

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<sup>8</sup> This sample was taken from the 'Enterprise 50' award-listing from 1995 to 1997.

According to the consultants, the aim is to capture how fast a company is growing and not just how much it makes. From 1996, companies participating in the selection were also assessed based on a set of qualitative factors, such as management philosophy, innovation and market presence. These factors, however, contributed not more than 10 percent of the overall assessment. The actual selection of high-growth local companies and for the 'Enterprise-50' award is privy to the consultants. It is, therefore, not made available to the researcher.

The second sample comprised of 256 other local companies. They were selected from the population that did not belong to the high-growth companies<sup>9</sup>. These companies were members of the Association of Small and Medium Enterprises' [ASME]. The ASME<sup>10</sup> is a self-help organisation of business people who run small and medium enterprises in Singapore. Some of the primary goals of the association including to (1) widen its members' business network contacts by establishing affiliations and accreditation with established national, regional and international institutions; (2) promote close co-operation with various government bodies;

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<sup>9</sup> One limitation of using this sample is that some local companies, which are high-growth may not apply for the 'Enterprise-50' award. This number, however, may not be significant.

<sup>10</sup> Its website address is <http://www.asme.org.sg>

and (3) foster entrepreneurship networking development among local and foreign enterprises.

This study limits the inclusion of other local companies to the members of ASME, as they were more likely to utilise government initiatives, servicing foreign MNCs and invest overseas than the rest of other local companies. This is to ensure that comparative study on the effect of external influences between high-growth local companies and other local companies can be made on a similar basis, as companies in both samples were likely to utilise government initiatives, servicing foreign MNCs and invest overseas. Moreover, it would be difficult, if not impossible, to include all of other local companies in this study by using the random sampling method. A more suitable method that was found more appropriate to obtain the research samples was to use the cluster sampling method. Using this method, it segregated local companies into two groups; namely, high-growth local companies and other local companies, which is the main focus of this research. The evaluation team, as described earlier, did the selection of high-growth local companies and other local companies in Singapore. The first sample, hence, was obtained from the 'Enterprise-50' award listing and the second sample from the ASME listing.



The advantage of using the cluster sampling method in this study is that it does not require an accurate (total) listing of the potential sampling elements (Sedlack and Stanley, 1992). It, therefore, reduces the fieldwork and cost of obtaining the samples. According to Scheaffer et al (1979), the elements within a cluster sample would be homogeneous if it can be properly selected. Each group of local companies; namely, high-growth local companies and other local companies was homogenous as they had a similar growth profile. The limitation of using the cluster sampling method, however, is that it is less efficient when compared to random sampling method, as it would generate a larger sampling error<sup>11</sup>. This limitation had been noted, and an extreme care was taken, during the analysis phase, in the interpretation of the analysed results.

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<sup>11</sup> It is noted in this study that selecting samples, even using a very best technique, do not guarantee that they will be representative of the population. Sampling error, beyond the control of the researcher, can also exist.



## **5.4 PROCESS OF COLLECTING PRIMARY DATA**

To collect primary data for quantitative analysis, a self-administrated questionnaire was mailed to the CEO/managing director of local companies by his/her personal name. This approach was taken because it was determined from past empirical researches that the collection of data from the CEO/managing director had proven to be more accurate and effective when compared to others as he would be more directly involved in strategic planning (Finkelstein, 1992). Several devices were used to enhance the response rate of the survey. These devices were also recommended in many statistical texts (Blank, 1984; Cooper and Schindler, 1998).

First, the self-administrated questionnaire was enclosed together with a cover letter and a self-addressed return envelope to facilitate questionnaire return when it was sent to the addressee. It used a business-reply envelope to convey the message that the researcher had a high level of interest in the survey to help improve the response rate. The cover letter was written and directed specifically to the addressee by his/her personal name, and stressed that their response to the questionnaire would be kept strictly confidential. The same assurance was also mentioned in the questionnaire. Second, the

respondents were also offered an opportunity to share the survey results. Finkelstein (1992) noted that the sharing of survey results would enhance the response rate and seriousness of responding to the survey.

The collection of data, using the above devices, was carried out in two waves as proposed in some statistical texts (Blank, 1984; Cooper and Schindler, 1998). In the first wave, addressees were requested to complete and post the questionnaire back to the researcher within a week. A period of one week was given to ensure that the addressees would respond to the questionnaire immediately. Otherwise, they would put the questionnaire on the shelf, and never get it completed.

In the second wave, companies that responded were noted and checked against the company checklist to determine those that did not respond. The number of companies that responded in the first wave comprised of 15 (19.2%) high-growth local companies and 25 (9.8%) other local companies. Telephone calls were then made to remind those companies that did not respond in the first wave to complete and post the questionnaire back to the researcher. Again, companies that responded after the reminder were noted and checked against the company checklist to determine those

that did not respond still. A follow-up letter, together with the same questionnaire, was then sent again to them. The follow-up letter was written to convince these companies of their important contributions to the economic growth of Singapore, and that their responses were much needed for the research. The addressees were then requested to respond and post the questionnaire back to the researcher within two weeks. A longer period was given in the second wave to ensure that they had sufficient time to respond to it. The number of companies that responded in the second wave comprised of 18 (23.1%) high-growth local companies and 14 (5.5%) other local companies.

The use of the mail survey in this study was considered to be satisfactory, given the sensitivity of questions being asked in the questionnaire and the level of addressees' queried. Altogether, there were 72 (21.4%) return questionnaires collected. The responses comprised of 33 (42.5%) high-growth local companies and 39 (15%) other local companies. About 56% of the respondents (40% from high-growth local companies and 16% from other local companies) requested for a summary report. This figure reflects their interest in the topic, and perhaps, their seriousness of responses. A larger percentage of high-growth local companies requested for

a summary report suggesting that they were more interested than other local companies in learning about themselves. Nineteen companies could not be reached because they had shifted to their new premises. Some companies did not respond to the survey cited no interest and confidentiality as their main reasons, while others cited that they did not have the time to participate in the survey as they were fighting the daily battle in their business. A majority of these companies were other local companies. The number of responses in the survey provided a matching figure (33 versus 39) for comparative analysis. From the statistical viewpoints, however, these figures may be small and would affect the validity of the analysed results. Interpretation of findings, hence, had been carried out with extreme caution. The analysed results, discussion, conclusion and limitation of this study will be presented in chapter 6, chapter 7 and chapter 8 of this thesis respectively.



# CHAPTER 6

## Quantitative Research Findings And Analysis

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This chapter presents the quantitative findings and the analysis of the survey results. It begins with the presentation of the profile of high-growth local companies and other local companies in Singapore. The *t*-test analysis was carried out to determine the statistical significance of their differences. The second part of this chapter examines the effect of three external influences; namely, the utilisation of government initiatives, the servicing of foreign MNCs, and the extent of internationalisation, on high-growth and other local companies' strategic planning process. The Pearson correlation analysis was carried out to determine the extent of each influence.

Finally, the last part of the chapter determines the strategic planning behaviour of high-growth and other local companies as a result of the external influences. The differences between high-growth local companies and other

local companies, as far as their strategic planning behaviour is concerned, were analysed and compared using the *t*-test analysis and the Pearson correlation analysis. The discussion and conclusion of the above analyses will be presented respectively in chapter 7 and chapter 8 of this thesis.

## **6.1 THE PROFILE OF HIGH-GROWTH LOCAL COMPANIES AND OTHER LOCAL COMPANIES IN SINGAPORE**

Table 6.1.1 and Table 6.1.2 show the distribution of local companies in Singapore by their fixed assets and the number of employees respectively. These two variables were used in this study to determine and distinguish the size of high-growth local companies and other local companies. The variables used are consistent with the small business literature which often uses fixed assets investment and the number of employees to represent firm size (Flamholtz, 1990). The number of companies participated in this study comprised of 33 high-growth local companies (the first sample) and 39 other local companies (the second sample). The total number of companies (72) participated in the study is significant. This number is considered to be relatively large given the fact that Singapore has a small sized economy, which depends significantly on foreign investments. The number is also comparatively larger when compared to those used in some well-published researches. For instance, in an analysis carried out by Greenley (1994) to investigate the evidence of strategic planning contribution to firm performance in past empirical researches, out of a total of 29 relevant and published studies, 13 of them did not consider more than 50 companies in their statistical analysis.

The response rate from high-growth local companies (42.5%) was encouraging. The high response rate signified their active interest in the study. The response rate from other local companies (15%), however, was poorer. This was expected as a majority of other local companies were less willing to share their confidential information, and hence, to participate in the survey. One reason could be attributable to the inherited culture of being a small company. Others, which did not respond, cited that they did not have the time to participate in the study as they were fighting the daily battle in their business. Comparing with the response rate of a mail survey which is typically about 15% (Tan, 1996), the response rate from other local companies is considered acceptable in the context of this study. The number of high-growth local companies and other local companies participated in the survey, nonetheless, had provided a matching figure (33 verses 39 respectively) for comparative analysis. From the statistical viewpoints, these numbers were significant to draw some meaningful statistical conclusions in this study.

The sequence of analysis of this chapter begins by, first, determining and comparing the profile of high-growth local companies and other local companies in Singapore. The comparison is important as it provides a basis for subsequent analyses. It then determines the extent of external influences; namely, the utilisation of government initiatives, the servicing of foreign



MNCs, and the extent of internationalisation, on high-growth and other local companies' strategic planning process. This is followed by an investigation of their strategic planning behaviours as a result of the above external influences. The profile of high-growth local companies and other local companies was analysed and compared sequentially on the following bases; namely, firm size, preceding year sales turnover, the utilisation of government initiatives, the servicing of foreign MNCs, and finally, the extent of internationalisation.

**TABLE 6.1.1**  
**Comparison of fixed assets between high-growth local companies**  
**and other local companies**

Fixed Assets	High-growth local companies		Other local companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> US\$7.5 million	20	61%	0	0%
US\$ 3.75 to US\$7.5 million	8	24%	9	23%
< US\$3.75 million	5	15%	30	77%

Exchange rate at the time of study: US\$1 was equivalent to S\$1.6

In this study, the amount of fixed assets invested by local companies was measured using the three-point Likert scale; namely, less than S\$6 million, between S\$6 million and S\$12 million, and more than S\$12 million.

The figures used are consistent with the government that uses it to categorise local companies in the manufacturing sector for local enterprise development (EDB, 1993). To make the tabulation more meaningful to readers of different nationalities, the fixed assets investment was tabulated in US dollars (in Table 6.1.1) for comparative analysis. At the time of conducting this research, the exchange rate between the US dollar and Singapore dollar was US\$1 to S\$1.6.

**TABLE 6.1.2**  
**Comparison of the number of workers between high-growth local companies and other local companies**

Number of workers	High-growth local companies		Other local Companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> 200	10	30%	0	0%
50 to 200	21	64%	13	33%
< 50	2	6%	26	67%

Similarly, the number of workers employed by high-growth local companies and other local companies, and preceding year sales turnover were measured using the three-point Likert scale. The number of workers employed by the companies was measured in three ranges; that is, less than 50 workers, between 50 to 200 workers, and more than 200 workers. Again, the figures

used are consistent with the government that uses it to categorise local companies in the commerce and services sectors for local enterprise development (EDB, 1993). The number of workers employed by high-growth local companies and other local companies was tabulated in Table 6.1.2 for comparative analysis.

**TABLE 6.1.3**  
**Comparison of the preceding year sales turnover between**  
**high-growth local companies and other local companies**

Last year annual sales turnover	High-growth local companies		Other local companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> US\$125 million	4	12%	0	0%
US\$32 to US\$125 million	15	45%	7	18%
< US\$32 million	14	42%	32	82%

Exchange rate at the time of study: US\$1 was equivalent to S\$1.6

Likewise, the preceding year sales turnover of high-growth local companies and other local companies was measured in three ranges; that is, less than S\$50 million, between \$50 million and S\$200 million, and more than S\$200 million. The annual sales turnover was tabulated in Table 6.1.3 to reflect their sales performance. Again, these figures were tabulated in US dollars.



**TABLE 6.1.4**  
**Comparison of firm size between high-growth local companies**  
**and other local companies**

	High-growth local companies		Other local companies		<i>t</i> -value	Sig. level (2-tailed)
	Mean (N = 33)	Std Deviation	Mean (N = 39)	Std Deviation		
Fixed assets	2.3939	0.8638	1.1796	0.4514	7.639	0.000
Number of employees	2.1212	0.7809	1.2308	0.5361	5.709	0.000
Preceding year sales-turnover	1.4545	0.8326	1.0513	0.4559	2.601	0.110

Scale: Fixed assets : 1 = < US\$3.75 million, 2 = US\$3.75 million to US\$7.5 million, 3 > US\$7.5 million  
Employees: 1 = < 50, 2 = 50 to 200, 3 > 200  
Sales-turnover: 1 = < US\$3.2 million, 2 = US\$3.2 million to S\$125 million, 3 > US\$125 million

The difference between high-growth local companies and other local companies as far as their firm size and sales turnover are concerned was analysed using the *t*-test analysis. The result of this analysis was tabulated in Table 6.1.4. From the analysis, it reveals that there is a significant difference between high-growth local companies and other local companies in all the three variables (*t*-value > 2.0 and *p* < 0.05). Table 6.1.4 reveals that high-growth local companies had achieved a relatively higher degree of prominence than other local companies in terms of firm size (measured using the fixed assets investment and the number of employees) and sales turnover.



In terms of fixed assets investment, Table 6.1.1 reveals that 61% of high-growth local companies had invested at least US\$7.5 million in their fixed assets. None of other local companies, in contrast, had invested at the same level. Among those companies that had invested equal or more than US\$3.75 million, 85% were high-growth local companies<sup>1</sup> while only 23% were other local companies. A majority of other local companies (77%), in contrast, invested less than US\$3.75 million. This figure is much higher when compared to 15% of high-growth local companies. In terms of the number of employees, Table 6.1.2 reveals that 30% of high-growth local companies had employed more than 200 workers. In total, 94% of high-growth local companies had 50 workers or more. In contrast, a large number of other local companies (67%) employed less than 50 workers.

In terms of annual sales turnover, Table 6.1.3 reveals that 57% of high-growth local companies<sup>2</sup> had achieved equal or more than US\$32 million. In contrast, only 18% of other local companies managed to achieve at the same level. Remarkably, 12% of high-growth local companies had crossed the

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<sup>1</sup> 61% invested greater than US\$7.5 million and 24% invested between US\$3.75 to US\$7.5 million.

<sup>2</sup> 12% achieved greater than US\$125 million and 45% achieved between US\$32 million and US\$125 million.

US\$125 million mark. This signifies their greater sales performance when compared to other local companies.

The above findings indicate that high-growth local companies were more prominent when compared to other local companies in terms of greater firm size and sales performances. These findings agree with the literature which argues that firm size is often associated with the business growth (Flamholtz, 1990). In other words, an increase in firm size can be seemed as an incidental result of its growth process. This is similar to a natural biological process where an interacting series of internal change leads to an increase in size accompanied by changes in the characteristics of the growing object.

**TABLE 6.1.5**  
**Comparison of business organisation between high-growth**  
**local companies and other local companies**

	<b>High-growth local companies</b>		<b>Other local companies</b>	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
Sole Proprietor	0	0%	2	5%
Partnership	0	0%	2	5%
Subsidiary	0	0%	3	8%
Private Limited	28	85%	32	82%
Public Listed	5	15%	0	0%
Total	33	100%	39	100%

Table 6.1.5 reveals that the business organisation of high-growth local companies and other local companies was somewhat similar. It can be observed from the table that a majority of local companies (82%~85%) were privately held, limited companies. This is the most common business set-up in Singapore where entrepreneurs tend to minimise their personal risk from company bankruptcy.

Remarkably, however, 15% of high-growth local companies had listed publicly in the Singapore stock exchange market. The objective of listing their stocks is to raise funds for their planned growth. Being listed in the stock exchange market demonstrates the capacity and capabilities of high-growth local companies. None of other local companies, in contrast, has a similar capacity and capabilities to list their stocks. This finding suggests that high-growth local companies have a better track record than other local companies that allows them to issue shares in the Initial Public Offering (IPO).



**TABLE 6.1.6**  
**Comparison of industry sector between high-growth**  
**local companies and other local companies**

	<b>High-growth local companies</b>		<b>Other local companies</b>	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
Construction	4	12%	3	8%
Business/Engineering	2	6%	12	31%
Trading	8	24%	14	37%
Manufacturing	14	43%	6	15%
Other services	5 <sup>a</sup>	15%	4 <sup>b</sup>	10%
Total	33	100%	39	100%

<sup>a</sup> logistics = 1, printing = 2, retailing = 1, utilities = 1

<sup>b</sup> education = 2, travel = 1, pest control, services = 1

Table 6.1.6 reveals that a majority of high-growth local companies (43%) were manufacturing companies. The economic policy has presently determined the manufacturing sector as the main engine of economic growth in the next phase of the Singapore economic development. Companies that involving in high-tech and high-value activities are encouraged, and more supported by the government than those involving in low-tech and low-value activities. In contrast, a majority of other local companies were either traders (37%) or service providers (31%).



In comparison, the commerce and services sectors usually offer a lower risk opportunity for new start-ups, which often requires lower capital investment than in the manufacturing sector. Other local companies have often seized this opportunity to exploit their own market niches. Over the last decade, the development of modern technologies such as Internet, electronic business, etc., together with the structural shift of the economy towards including commerce and services industries in the economic development has resulted in a disproportionately large number of new businesses being set up in these sectors. The majority of these companies, however, are small enterprises.

**TABLE 6.1.7**  
**Comparison of the awareness and utilisation of government initiatives**  
**between high-growth local companies and other local companies**

	<b>High-growth local companies</b>		<b>Other local companies</b>			
	Mean (N=33)	Std Deviation	Mean (N=39)	Std Deviation	<i>t</i> -value	Sig. level (2-tailed)
Awareness	7.0000	2.5273	6.2051	2.6475	1.291	0.201
<b>Utilisation</b>	<b>3.9394</b>	<b>2.6802</b>	<b>1.8205</b>	<b>1.7148</b>	<b>3.914</b>	<b>0.000</b>
<b>Benefited</b>	<b>3.5152</b>	<b>1.6031</b>	<b>2.3590</b>	<b>1.7089</b>	<b>2.958</b>	<b>0.004</b>

Likert-type response scale: 1 = Not at all

5 = A great deal

In spite of a greater foothold, the *t*-test analysis in Table 6.1.7 reveals that high-growth local companies had utilised more government initiatives when compared to other local companies (*t*-value > 2 and *p* < 0.05). This is despite the fact that both groups of local companies were equally aware of the government's provision. This could be attributable to the greater involvement of high-growth local companies in high-tech and high-value activities that had resulted in greater economic spin-off and contribution to the Singapore economy than other local companies. Hence, they were more supported by the government.

**TABLE 6.1.8**  
**Comparison of the number of government initiatives utilised**  
**between high-growth companies and other local companies**

Numbers of initiatives being utilised	High-growth local companies		Other local Companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
>= 7	7	21%	1	2%
>= 6	7	21%	4	10%
>= 5	12	36%	5	13%
>= 4	15	45%	5	13%
>= 3	22	67%	9	23%
>= 2	26	79%	19	49%
>= 1	30	91%	33	84%

In comparison, Table 6.1.8 reveals that 21% of high-growth local companies had utilised at least 7 or more government initiatives. 67% of high-growth local companies had utilised at least 3 or more. In contrast, a majority of other local companies (77%) utilised less than 3 initiatives.

**TABLE 6.1.9**  
**Comparison of the type of government initiatives utilised between high-growth local companies and other local companies**

	High-growth local companies			Other local companies		
	N = 33	%	Rank	N = 39	%	Rank
Total Business Plan [TBP]	12	36%	4	7	18%	4
Local Enterprise Technical Assistance Scheme [LETAS]	11	33%	7	10	26%	2
Local Industry Upgrading Programme [LIUP]	12	36%	4	1	3%	9
Local Enterprise Computerisation Prog. [LECP]	6	18%	9	4	10%	6
ISO 9000 Certification Scheme	18	55%	2	8	21%	3
Franchise Development Assistance Programme [FDAP]	1	3%	11	4	10%	6
Automation Leasing Scheme [ALS]	12	36%	4	0	0%	11
Local Enterprise Finance Scheme [LEFS]	18	55%	2	6	15%	5
Mkt/Investment Development Assistance Scheme [MIDAS]	8	24%	8	3	8%	8
Skills Development Fund [SDF]	26	79%	1	24	62%	1
Other Programme Assistance	4 <sup>a</sup>	12%	10	1 <sup>b</sup>	3%	9

<sup>a</sup> Regional HQ status = 1, Investment allowance = 2, IDS = 1      <sup>b</sup> NSTB R&D = 1



Table 6.1.9 reveals that a majority of high-growth local companies had utilised the Skills Development Fund (79%) to upgrade their staff's capabilities. This initiative was also commonly utilised by other local companies (62%). In comparison with other local companies, however, a greater number of high-growth local companies had utilised the Local Enterprise Finance Scheme (55%) and the ISO 9000 Certification Scheme (55%). The Local Enterprise Finance Scheme [LEFS] aims to help local companies acquire external funding at a lower interest rate; whereas, the ISO 9000 Certification Scheme aims to encourage local companies identify areas for improvement in their quality system and technology upgrading. 36% of high-growth local companies had utilised the Total Business Plan [TBP] to formulate their strategies for market development, technology transfer, business diversification and collaborations, mergers and acquisitions, as well as specific plans for implementation. An equal percentage of high-growth local companies (36%) had utilised the Local Industry Upgrading Programme [LIUP] to forge closer business development ties with foreign MNCs. This programme was designed to help local companies upgrade and strengthen their business operations in order to support the increasing demands and expectations of foreign MNCs.



In the case of other local companies, besides utilising the Skill Development Fund [SDF], 26% of them had utilised the Local Enterprise Technical Assistance Scheme [LETAS] to modernise and upgrade their management system and operations. This scheme helps local companies to defray part of the cost of engaging external consultants. Although the number of other local companies (26%) utilised this scheme is not as large as compared to high-growth local companies (33%), nonetheless, it is ranked second in the table. This demonstrates the popularity of this initiative among the other local companies. In the ascending order, the utilisation of the ISO 9000 Certification Scheme (21%) and the Total Business Plan (18%) are ranked third and fourth in the table respectively.

The above findings have indicated a marked difference, between high-growth local companies and other local companies, in their utilisation of government initiatives. It indicates that other local companies did not acquire and utilise the same number of initiatives and level of supports from the government than high-growth local companies.

**TABLE 6.1.10**  
**Comparison of the extent of business dependence on foreign MNCs**  
**between high-growth local companies and other local companies**

Business dependent on MNCs	High-growth local companies		Other local companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> 75%	12	36%	2	5%
> 50%	15	45%	5	13%
> 25%	19	56%	11	28%
> 1%	25	76%	21	54%
No dealing with MNCs	2	6%	10	26%

In examining the business dependence of local companies, Table 6.1.10 reveals that high-growth local companies were more dependent on foreign MNCs in their business activities than other local companies. It reveals that 45% of high-growth local companies had more than 50% of their business activities depended on foreign MNCs' demands. This figure is much higher when compared to other local companies where only 13% of them had depended on foreign MNCs at the same level. Remarkably, 36% of high-growth local companies had greater than 75% of their business activities depended on foreign MNCs.

**TABLE 6.1.11**  
**Comparison of the business dealing with foreign MNCs between**  
**high-growth local companies and other local companies**

	High-growth local companies		Other local companies	
	Number of companies (N = 33)	Percent	Number of Companies (N = 39)	Percent
Subcontractor	17	51%	10	26%
OEM Supplier	6	18%	5	13%
Distributor	4	12%	5	13%
Others	4 <sup>a</sup>	12%	9 <sup>b</sup>	23%
No dealing with MNCs	2	6%	10	26%

<sup>a</sup> Business services, Customers

<sup>b</sup> Clients, Vendors, Training providers, Suppliers, Trainees, Legal matter providers, Business partners

Table 6.1.11 reveals that a majority of local companies were servicing foreign MNCs as subcontractors (51% of high-growth local companies and 26% of other local companies), although there were some supporting their foreign counterparts as OEM suppliers (18% and 13% respectively) and distributors (12% and 13% respectively). This finding reveals that local companies have played a multifaceted role in supporting foreign MNCs in Singapore.

**TABLE 6.1.12**  
**Comparison of the extent of internationalisation between high-growth  
local companies and other companies**

	<b>High-growth local companies</b>		<b>Other local companies</b>			
	Mean (N = 33)	Std Deviation	Mean (N = 39)	Std Deviation	<i>t</i> -value	Sig. level (2-tailed)
<b>Overseas invest.</b>	<b>2.3939</b>	<b>0.8993</b>	<b>1.7179</b>	<b>0.7591</b>	<b>} 3.411</b>	<b>} 0.001</b>
<b>Export sales</b>	<b>3.0000</b>	<b>1.4361</b>	<b>2.3077</b>	<b>1.1955</b>	<b>} 2.199</b>	<b>} 0.032</b>
<b>No. of countries</b>	<b>3.8788</b>	<b>3.2859</b>	<b>1.8462</b>	<b>1.9131</b>	<b>} 3.133</b>	<b>} 0.003</b>

Likert-type response scale: 1 = Not at all

5 = A great deal

The *t*-test analysis in Table 6.1.12 reveals that high-growth local companies were more aggressive than other local companies in their overseas investments and export sales (*t*-value > 2 and *p* < 0.05). On the average, high-growth local companies had invested in more foreign countries, and generated more export sales than other local companies.



**TABLE 6.1.13**  
**Comparison of the extent of overseas investment between**  
**high-growth local companies and other local companies**

Overseas Investments	High-growth local companies		Other local Companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> 75%	1	3%	0	0%
> 50%	3	9%	1	3%
> 25%	13	34%	5	13%
> 1%	29	88%	22	56%
No dealing with overseas	4	12%	17	44%

In terms of overseas investment, Table 6.1.13 reveals that 88% of high-growth local companies had invested their business in overseas. This is in contrast to other local companies where 44% of them were found to depend solely on the domestic market. In comparison, 34% of high-growth local companies had invested more than 25% of their business in foreign countries. This figure is comparatively higher than that of other local companies (13%).

**TABLE 6.1.14**  
**Comparison of the extent of export sales between high-growth**  
**local companies and other local companies**

Export	High-growth local companies		Other local Companies	
	Number of companies (N = 33)	Percent	Number of companies (N = 39)	Percent
> 75%	6	18%	4	10%
> 50%	14	42%	5	13%
> 25%	19	56%	13	33%
> 1%	28	85%	29	74%
No dealing with export	5	15%	10	26%

In terms of export sales, Table 6.1.14 reveals that 42% of high-growth local companies had generated more than 50% of their sales from overseas. A small number of other local companies (13%), in contrast, had generated at the same level. Remarkably, 18% of high-growth local companies had generated more than 75% of their sales from overseas.

Table 6.1.12, Table 6.1.13 and Table 6.1.14 indicate that high-growth local companies were more international-oriented when compared to other local companies. Due to the limited size of the domestic market, the above findings reveal that high-growth local companies had depended more significantly on international markets than other local companies. A greater

involvement of high-growth local companies in the international markets could be attributable to the “internationalisation push” by the government to encourage local companies to expand their business overseas. The economic policy has determined to continue helping ‘high-calibre’ local companies that have the critical mass, capacity and capabilities to invest overseas so that they can build an external economy for Singapore (EDB, 1989).

**TABLE 6.1.15**  
**Comparison of the mode of entry into overseas markets**  
**between high-growth local companies and other local companies**

Mode of entry into Overseas market	High-growth local companies		Other local companies	
	Number of companies	Percent	Number of companies	Percent
Joint ventures	15	52%	9	41%
Direct investment	10	34%	4	18%
Subsidiary	12	41%	9	41%
Franchising	1	3%	5	23%
Distributorship	4	14%	12	55%
Others	1 <sup>a</sup>	3%	3 <sup>b</sup>	14%

<sup>a</sup> Associateship

<sup>b</sup> Associateship Export sales, Project basis

In comparison, Table 6.1.15 reveals that high-growth local companies had adopted a more aggressive strategy to penetrate overseas markets than other local companies. Among the high-growth local companies that had



invested overseas, 34% of them had adopted the direct investment method. In contrast, only 18% of other local companies had adopted a similar strategy. This could be attributable to the fact that the direct investment method requires considerable resources such as production capacity, managerial expertise, financial resources and proprietary knowledge to which other local companies have limited access. Other local companies, in contrast, had adopted less risky strategies; namely, franchising (23%) and distributorship (55%) which were not commonly adopted by high-growth local companies (3% and 14% respectively).

Incidentally, joint ventures and setting up of overseas subsidiaries were more common methods adopted by both high-growth local companies and other local companies. Table 6.1.15 reveals that there are an equal percentage of high-growth local companies and other local companies (41%) with established subsidiaries overseas. 52% of high-growth local companies and 41% of other local companies had adopted the joint-ventures strategy to penetrate overseas markets. In comparison, joint ventures strategy is the most preferred method in the table. This strategy could often make up for the missing skills or resources of local companies. Furthermore, it could overcome the lack of local companies' knowledge of foreign contracts and



host country regulations. It also addresses risk minimisation as the risk can be spread among the joint ventures' partners.

In summary, this section has presented two significantly different groups of local companies; namely, high-growth local companies and other local companies, in Singapore. The analysis of this first section has revealed that high-growth local companies were more prominent when compared to other local companies in terms of firm size, sales turnover and involvement with the government, foreign MNCs and internationalisation. The second part of the analysis will determine and compare the effect of utilising government initiatives, servicing foreign MNCs and internationalisation on high-growth and other local companies' strategic planning process. This will be followed by the analysis of their strategic planning behaviours, as a result of the external influences, in the final part of this chapter. The determination of the profile of high-growth local companies and other local companies in this section has satisfied the condition (as being two significantly different groups of local companies) and supported its use as research samples to investigate and compare the effect of external influences on their strategic planning process.

## **6.2 THE EFFECT OF EXTERNAL INFLUENCES ON LOCAL COMPANIES' STRATEGIC PLANNING PROCESS**

In this study, three external influences on local companies' strategic planning process were considered. These external influences were (1) the utilisation of government initiatives, (2) the servicing of foreign MNCs, and (3) the extent of internationalisation. This research considers the above as major influences as they reflect the specific Singapore context which are of major interest to the government and local companies. While a number of strategic planning processes are being considered in the literature (Mintzberg, 1990), this study focuses on the classical planning approach as this is the unique influence emphasised by the government and the validation imposed by foreign MNCs.

Since the last economic recession in 1985, the government had provided over 60 assistance schemes and programmes, to help local companies develop in every stage of their growth. The major economic objective of providing these initiatives is to help local companies grow and develop so that they could take on new enhanced roles in order to build a stronger economy for Singapore.

On one hand, local companies that servicing foreign MNCs were encouraged through various initiatives to forge closer mutually beneficial relationship with their foreign counterparts. On the other hand, 'high-calibre' local companies were assisted to venture abroad, first into the Asia Pacific region, and then to the other parts of the world, to develop an external economy for Singapore. The long-term strategy of the government is to build a more balanced, vibrant and resilient economy that depends on foreign MNCs on one hand, and local companies on the other, to sustain the continuous growth of the Singapore economy.

The following sections have examined the effect of the above three external influences on local companies' strategic planning process. The Pearson correlation analysis was carried out to determine the significance of each influence. The analysis has produced interesting results. It reveals that there is a marked difference between high-growth local companies and other local companies as far as the significance of each external influence on their strategic planning process is concerned. These results are presented in three sections, under the following subheadings; namely, (1) the utilisation of government initiatives, (2) the servicing of foreign MNCs, and (3) the extent of internationalisation.

### **6.2.1 THE UTILISATION OF GOVERNMENT INITIATIVES**

The first hypothesis of this study argues that the extent of utilising government initiatives possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. This study had used several variables to test this hypothesis. One of the variables included the testing of the requirement of local companies to prepare a formal strategic plan when they utilising government initiatives. Other variables used to determine the effect of utilising government initiatives on local companies' strategic planning process included the testing of local companies to adopt the classical strategic planning approach when they formalising their strategic planning. The extent of local companies utilising the classical strategic planning approach and to prepare a formal strategic plan when they utilising government initiatives suggesting that the extent of the utilisation has had a significant influence on their strategic planning process. The data collected in the survey was analysed in this study using the Pearson correlation analysis to determine the correlation between the extent of local companies utilising government initiatives and the above testing variables.

The above hypothesis was formulated, in chapter 4, on the basis that high-growth local companies had a greater capacity and capabilities to



generate greater economic spin-off and contributions to the Singapore economy than other local companies. As a result of such contributions, they are more likely to develop a formal strategic planning system closely allied with the government than other local companies.

**TABLE 6.2.1.1**  
**Correlation between the extent of utilising government initiatives**  
**and its impacts on high-growth local companies**

Pearson Correlation	C2-1	C2-2	C2-3	C2-4	C2-5	C2-6
<b>Initiatives</b>	<b>0.491**</b>	<b>0.531**</b>	0.320	0.218	<b>0.414*</b>	<b>0.413*</b>
C2-1	1.000	0.602**	0.147	0.301	0.376*	0.700**
C2-2	-	1.000	0.407*	0.188	0.151	0.503**
C2-3	-	-	1.000	0.583**	0.340	0.465**
C2-4	-	-	-	1.000	0.586**	0.584**
C2-5	-	-	-	-	1.000	0.641**
C2-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Initiatives	Extent of firm's utilisation of government initiatives.
C2-1	Benefits gained from utilising the government initiatives.
C2-2	Force to re-examine and restructure the business.
C2-3	Require to prepare a formal strategic plan.
C2-4	Seek professional assistance outside the firm.
C2-5	Require to enhance professional talents within the firm.
C2-6	Require to think strategically within the firm

Inconsistent with the hypothesis, this study reveals that the extent of utilising government initiatives did not possess a significant influence on high-growth local companies' strategic planning process. The correlation

analysis in Table 6.2.1.1 reveals that the extent of utilising government initiatives did not force high-growth local companies to prepare a formal strategic plan (C2-3). While it is expected that high-growth local companies would carry out formal strategic planning to ally closely with the government, this expectation was not found in the analysis. This is despite the fact that the extent of utilising government initiatives had benefited high-growth local companies (C2-1), and required them to think strategically (C2-6), enhance professional talents within the company (C2-5), and re-examine and restructure their business (C2-2).

The insignificant correlation between the extent of utilising government initiatives and the requirement of high-growth local companies to prepare a formal strategic plan (C2-3) in Table 6.2.1.1 is quite surprising. This finding could suggest that high-growth local companies either already had a formal strategic plan prior to the utilisation or formulated a somewhat similar plan to acquire more initiatives. Consequently, the extent of utilising government initiatives did not possess a significant influence on their strategic planning process.

Similarly, Table 6.2.1.1 reveals that the extent of utilising government initiatives is not correlated to the requirement of high-growth local companies

to seek professional assistance outside the organisation (C2-4). This finding suggests that high-growth local companies had the capability to formalise their strategic planning without the need of external professional assistance. Section 6.1 of this chapter reveal that high-growth local companies were larger companies when compared to other local companies. It can be expected that they would have the managerial capabilities or executives who were in a better position than external consultants to determine the company's specific needs that required government initiatives than other local companies would.

Although the extent of utilising government initiatives did not influence high-growth local companies to formalise their strategic planning, the utilisation, nonetheless, had benefited them significantly in their business. The correlation analysis in Table 6.2.1.1 reveals that the extent of utilising government initiatives is correlated significantly ( $p < 0.01$ ) to the extent of benefits gained by high-growth local companies. This finding is not surprising since more initiatives would mean extra funding, through tax incentives and lower interest loans, for high-growth local companies.

Incidentally, Table 6.1.9 in section 6.1 of this chapter reveals that, among the initiatives, the Local Enterprise Finance Scheme [LEFS] was widely utilised by high-growth local companies (55%, ranked second in the

table). A strong financial support is often needed by high-growth local companies to expand their business operations.

The expansion of business operations can be achieved, among others, through enhancing professional talents within the company (C2-5), and re-examining and restructuring their business (C2-2). Table 6.1.9 in section 6.1 of this chapter, reveals that the Skills Development Fund (79%, ranked first in the table) and the ISO 9000 Certification Scheme (55%, ranked second in the table) were widely utilised by high-growth local companies. These initiatives were designed specifically to help local companies train and re-train their staff, and implement effective quality systems, by identifying areas for improvement and technology upgrading, to ensure that their products and services can gain greater acceptance by foreign MNCs and the international markets.



**TABLE 6.2.1.2**  
**Correlation between the extent of utilising government initiatives and the strategic planning process components utilised by high-growth local companies**

Pearson Correlation	B7-1	B7-2	B7-3	B7-4	B7-5	B7-6
<b>Initiatives</b>	<b>0.495**</b>	0.084	<b>0.561**</b>	0.270	-0.007	0.351
B7-1	1.000	0.436**	0.800**	0.509**	0.274	0.685**
B7-2	-	1.000	0.401*	0.676**	0.718**	0.585**
B7-3	-	-	1.000	0.401*	0.227	0.695**
B7-4	-	-	-	1.000	0.443*	0.522**
B7-5	-	-	-	-	1.000	0.540**
B7-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Initiatives	Extent of firm's utilisation of government initiatives.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

Table 6.2.1.2 affirms the findings in Table 6.2.1.1, in that the extent of utilising government initiatives did not possess a more significant influence on high-growth local companies' strategic planning process than on other local companies (Table 6.2.1.4). Table 6.2.1.2 reveals that, despite the fact that the extent of utilising government initiatives had required high-growth local companies to rely on the (state-of-the-art) analytical techniques to make

corporate strategic decisions systematically in a rational manner, it did not force them to carry out extensive and thorough strategic planning. Furthermore, the extent of utilising government initiatives did not influence them to place emphasis on gathering and analysing quantitative information.

**TABLE 6.2.1.3**  
**Correlation of the extent of utilising government initiatives**  
**and its impact on other local companies**

Pearson Correlation	C2-1	C2-2	C2-3	C2-4	C2-5	C2-6
<b>Initiatives</b>	<b>0.572<sup>**</sup></b>	<b>0.410<sup>*</sup></b>	<b>0.724<sup>**</sup></b>	<b>0.584<sup>**</sup></b>	<b>0.814<sup>**</sup></b>	<b>0.439<sup>*</sup></b>
C2-1	1.000	0.599 <sup>**</sup>	0.480 <sup>**</sup>	0.461 <sup>**</sup>	0.572 <sup>**</sup>	0.583 <sup>**</sup>
C2-2	-	1.000	0.360 <sup>*</sup>	0.583 <sup>**</sup>	0.591 <sup>**</sup>	0.627 <sup>**</sup>
C2-3	-	-	1.000	0.673 <sup>**</sup>	0.624 <sup>**</sup>	0.674 <sup>**</sup>
C2-4	-	-	-	1.000	0.577 <sup>**</sup>	0.725 <sup>**</sup>
C2-5	-	-	-	-	1.000	0.530 <sup>**</sup>
C2-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Initiatives	Extent of firm's utilisation of government initiatives.
C2-1	Benefits gained from utilising the government initiatives.
C2-2	Force to re-examine and restructure the business.
C2-3	Require to prepare a formal strategic plan.
C2-4	Seek professional assistance outside the firm.
C2-5	Require to enhance professional talents within the firm.
C2-6	Require to think strategically within the firm.

Surprisingly, however, and in contrast to the first hypothesis, the extent of utilising government initiatives had possessed a more significant influence on other local companies' strategic planning process than on high-growth local companies. Table 6.2.1.3 reveals that the extent of utilising government initiatives is correlated significantly ( $p < 0.01$ ) to all the variables in the table. It reveals that the more the other local companies utilised the government initiatives, the more they had to formalise their strategic planning (C2-3). Given the fact that other local companies were smaller in size when compared to high-growth local companies, this finding suggests that the formal strategic planning behaviour of other local companies is not attributable to firm size, but influenced by the utilisation of government initiatives.

Table 6.2.1.3 reveals that the extent of utilising government initiatives had also required other local companies to seek professional assistance outside the company (C2-4). This was not found to be the case for high-growth local companies. It could be attributable to the lack of expertise in other local companies. Incidentally, Table 6.1.9 in section 6.1 of this chapter reveals that, among the initiatives, Local Enterprise Technical Assistance Scheme [LETAS] was widely utilised by other local companies (26%, ranked second in the table). The provision of this initiative was designed specifically to help

local companies defray parts of the cost of engaging external consultants in their business operations.

Table 6.2.1.3 also reveals that the extent of utilising government initiatives had required other local companies to enhance professional talents within the company (C2-5), and re-examine and restructure their business (C2-2). Incidentally, Table 6.1.9 in section 6.1 of this chapter reveals that the Skills Development Fund (62%, ranked first in the table) and the ISO 9000 Certification Scheme (21%, ranked third in the table) were also widely utilised by other local companies. While a majority of other companies were traders and service providers (Table 6.1.6), this study found that they also need to enhance professional talents within the organisation, and re-examine and restructure their business when they utilising government initiatives.



**TABLE 6.2.1.4**  
**Correlation between the extent of utilising government initiatives and the strategic planning process components utilised by other local companies**

Pearson Correlation	B7-1	B7-2	B7-3	B7-4	B7-5	B7-6
<b>Initiatives</b>	<b>0.447*</b>	<b>0.501**</b>	0.298	0.309	<b>0.526**</b>	0.251
B7-1	1.000	0.828**	0.756**	0.798**	0.796**	0.760**
B7-2	-	1.000	0.789**	0.683**	0.763**	0.638**
B7-3	-	-	1.000	0.755**	0.709**	0.643**
B7-4	-	-	-	1.000	0.759**	0.642**
B7-5	-	-	-	-	1.000	0.638**
B7-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Initiatives	Extent of firm's utilisation of government initiatives.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

Table 6.2.1.4 affirms the findings in Table 6.2.1.3 in that the extent of utilising government initiatives had possessed a more significant influence on other local companies' strategic planning process than on high-growth local companies. It reveals that the more the other local companies utilised government initiatives, the more they had to carry out their strategic planning systematically in a rational manner (B7-1). Unlike high-growth local companies, the extent of utilising government initiatives had also forced them

to resolve corporate strategic issues by doing extensive and thorough analysis (B7-2) and place emphasis on gathering and analysing quantitative information (B7-5). The same correlation, however, did not occur for high-growth local companies.

The above findings are not surprising since other local companies usually would have to formulate their strategic planning more convincingly to justify for their need to utilise government initiatives as they are less likely to contribute to the economy as significantly as compared to high-growth local companies. The literature argues that strategic planning in smaller companies is usually ad hoc and relied on intuition (Golde, 1964; Still, 1974). This study, however, found that it is not the case for other local companies, which were smaller in size, as the government possesses a significant influence on their strategic planning process. The literature argues that the process of strategic planning is often associated with the acquisition and greater use of information (Orpen, 1993). The initial planning effort of local companies, influenced by the government, therefore, could lead them to better strategic planning in the future.

The correlation analysis of this section, thus far, has determined the influence of utilising government initiatives on local companies' strategic

planning process. In contrast to the first hypothesis, however, this study found that the extent of utilising government initiatives possesses a more significant influence on other local companies' strategic planning process than on high-growth local companies. While it has been expected that high-growth local companies would be more likely to develop a formal strategic planning system closely allied with the government, this expectation was not found in this study. On the contrary, this study reveals that, despite the fact that other local companies did not utilise government initiatives as significantly as compared to high-growth local companies, the extent of the utilisation had possessed a more significant influence on their strategic planning process than on high-growth local companies. It had influenced them to carry out extensive and thorough strategic planning in a systematic and rational manner, and place emphasis on gathering and analysing quantitative information.

## **6.2.2 THE SERVICING OF FOREIGN MNCs**

The second hypothesis of this study argues that the extent of servicing foreign MNCs possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. Similar to the utilisation of government initiatives, this study used several variables to test this hypothesis. One of the variables included the testing of the requirement of local companies to prepare a formal strategic plan when they servicing foreign MNCs. Other variables used to determine the effect of servicing foreign MNCs on local companies' strategic planning process included the testing of local companies to adopt the classical strategic planning approach when they formalising their strategic planning. The extent of local companies utilising the classical strategic planning approach and to prepare a formal strategic plan when they servicing foreign MNCs suggesting that the extent of servicing foreign MNCs has had a significant influence on their strategic planning process. Similarly, the data collected in the survey was analysed using the Pearson correlation analysis to determine the correlation between the extent of local companies servicing foreign MNCs and the above testing variables.



The above hypothesis was formulated, in chapter 4, on the basis that high-growth local companies, which had a greater capacity and capabilities than other local companies, were more likely to develop a formal strategic planning system closely allied with foreign MNCs than other local companies. The extent of local companies servicing foreign MNCs was determined, in this study, by the extent of their business dependence on foreign MNCs. It is presumed that the more the local companies depended on foreign MNCs in their business activities, the more they were servicing the foreign MNCs.

**TABLE 6.2.2.1**  
**Correlation between the extent of servicing foreign MNCs**  
**and its impacts on high-growth local companies**

Pearson Correlation	C3-1	C3-2	C3-3a	C3-3b	C3-4	C3-5	C3-6
<b>MNCs</b>	<b>0.511**</b>	<b>0.595**</b>	<b>0.542**</b>	<b>0.438*</b>	0.168	0.043	0.385
C3-1	1.000	0.599**	0.560**	0.485*	0.253	0.353	0.621**
C3-2		1.000	0.720**	0.623**	0.277	0.143	0.462*
C3-3a	-	-	1.000	0.938**	0.388	0.245	0.547**
C3-3b	-	-	-	1.000	0.404*	0.333	0.518**
C3-4	-	-	-	-	1.000	0.346	0.310
C3-5						1.000	0.698**
C3-6	-	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

MNCs	Extent of firm's business dependence on foreign MNCs.
C3-1	Force to re-examine and restructure the business.
C3-2	Require to prepare a formal strategic plan.
C3-3a	Assistance provided by MNCs.
C3-3b	Integrate firm's strategic plan into MNCs'.
C3-4	Seek professional assistance outside the firm.
C3-5	Require to enhance professional talents within the firm.
C3-6	Require to think strategically within the firm.

In consistent with the hypothesis, this study found that the servicing of foreign MNCs had possessed a significant influence on the strategic planning process of high-growth local companies. The correlation analysis in Table 6.2.2.1 reveals that the extent of business dependence of high-growth local companies on foreign MNCs is correlated significantly ( $p < 0.01$ ) to the requirement, imposed by foreign MNCs, to formalise their strategic planning (C3-2). This finding is not surprising as it is expected that the more the high-growth local companies depended on foreign MNCs in their business activities, the more they had to work closely with their foreign counterparts and plan in accordance to their requirements. The importance of formulating a strategic plan to work closely with foreign MNCs is supported in the literature which argues that strategic planning plays a crucial role in the strategic alliance, and an effective strategic planning is needed in order to for it to succeed (Lorange and Roos, 1992).

Interestingly, the correlation analysis in Table 6.2.2.1 also reveals that the extent of business dependence of high-growth local companies on foreign MNCs is correlated significantly ( $p < 0.01$ ) to the extent of assistance provided by their foreign counterparts (C3-3a) to help them formalised their strategic planning. The extent of business dependence of high-growth local companies on foreign MNCs is also correlated significantly ( $p < 0.05$ ) to the

need of high-growth local companies to integrate their strategic planning into foreign MNCs' planning system (C3-3b). The above findings suggest that the assistance provided by foreign MNCs and the integration of strategic planning into foreign MNCs' planning system are instrumentals in forcing high-growth local companies to formalise their strategic planning to a high level. It implies that collaboration with foreign MNCs requires stringent reporting relationship on the part of high-growth local companies. This study reveals that the assistance provided by foreign MNCs and the integration of strategic planning into foreign MNCs' planning system help shape the strategic planning process of high-growth local companies towards more formalism.

Table 6.2.2.1 reveals that the extent of business dependence of high-growth local companies on foreign MNCs is also correlated significantly ( $p < 0.05$ ) to the need of high-growth local companies to re-examine and restructure their business (C3-1). This finding agrees with the literature, which argues that the restructuring of different organisational units within a strategic alliance is desirable to improve its overall efficiency (Kukalis and Jungemann, 1995). High-growth local companies, in this case, can be seen as a virtually part of foreign MNCs' organisational system as if they were one of their small business units [SBUs]. Being part of the foreign MNCs' valuable network, it would provide opportunities for high-growth local companies to search for



new business bases and market expansions. The literature argues that the organisational network that builds around a strategic alliance could offer an alternative to the vertical integration models (Larson, 1992). By servicing foreign MNCs, it could also provide opportunities for high-growth local companies to secure access to new technologies and markets.

**TABLE 6.2.2.2**  
**Correlation between the extent of servicing foreign MNCs and the strategic planning process components utilised by high grown local companies**

Pearson Correlation	<b>B7-1</b>	B7-2	<b>B7-3</b>	B7-4	B7-5	<b>B7-6</b>
<b>MNCs</b>	<b>0.452*</b>	-0.034	<b>0.443*</b>	-0.153	-0.018	<b>0.446*</b>
B7-1	1.000	0.441*	0.830**	0.529**	0.366	0.762**
B7-2		1.000	0.340	0.717**	0.689**	0.550**
B7-3	-	-	1.000	0.387	0.284	0.702**
B7-4	-	-	-	1.000	0.519**	0.507**
B7-5	-	-	-	-	1.000	0.572**
B7-6						1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

MNCs	Extent of firm's business dependence on foreign MNCs.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.



The correlation analysis in Table 6.2.2.2 provides a more detailed analysis that determines the impact of servicing foreign MNCs on high-growth local companies' strategic planning process. The results in Table 6.2.2.2 support the findings in Table 6.2.2.1. It reveals that the more the high-growth local companies serviced foreign MNCs, the more they had to rely on the (state-of-the-art) analytical techniques ( $p < 0.05$ ) to formulate their strategic plan (B7-3). The extent of servicing foreign MNCs also forced high-growth local companies to carry out strategic planning systematically ( $p < 0.05$ ) in a rational manner (B7-1), and place emphasis ( $p < 0.05$ ) on gathering feedback from their employees when making the corporate decisions (B7-6).

The above findings contradict the description of the literature (Gilmore, 1971), which argues that the analytical techniques are more likely to be utilised by large corporations when compared to smaller companies. In this study, however, it was found that as a result of foreign MNCs' influence, high-growth local companies had utilised the (state-of-the-art) analytical techniques to formalise strategic planning to work closely with them.

**TABLE 6.2.2.3**  
**Correlation between the extent of servicing foreign MNCs**  
**and its impacts on other local companies**

Pearson Correlation	C3-1	C3-2	C3-3a	C3-3b	C3-4	C3-5	C3-6
<b>MNCs</b>	0.328	0.348	<b>0.444*</b>	<b>0.537*</b>	0.200	0.406	0.416
C3-1	1.000	0.829**	0.730**	0.645**	0.768**	0.824**	0.708**
C3-2		1.000	0.771**	0.766**	0.641**	0.752**	0.667**
C3-3a	-	-	1.000	0.821**	0.391	0.658**	0.650**
C3-3b	-	-	-	1.000	0.393	0.670**	0.597**
C3-4	-	-	-	-	1.000	0.696**	0.544*
C3-5						1.000	0.884**
C3-6	-	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

MNCs	Extent of firm's business dependence on foreign MNCs.
C3-1	Force to re-examine and restructure the business.
C3-2	Require to prepare a formal strategic plan.
C3-3a	Assistance provided by MNCs.
C3-3b	Integrate firm's strategic plan into MNCs'.
C3-4	Seek professional assistance outside the firm.
C3-5	Require to enhance professional talents within the firm.
C3-6	Require to think strategically within the firm.

In consistent with the hypothesis, this study reveals that the extent of servicing foreign MNCs has possessed a less significant influence on other local companies' strategic planning process than on high-growth local companies. The correlation analysis in Table 6.2.2.3 reveals that the business dependence of other local companies on foreign MNCs is not correlated to the requirement, imposed by foreign MNCs, to formalise their strategic planning

(C3-2). This is in spite of the fact that the extent of their business dependence on foreign MNCs is correlated significantly ( $p < 0.05$ ) to the extent of assistance provided by foreign MNCs (C3-3a) and the requirement to integrate their strategic planning into foreign MNCs' planning system (C3-3b).

The above findings are contradicting but interesting. It could be attributable to less business involvement of other local companies on foreign MNCs' activities. Table 6.1.6, in section 6.1 of this chapter, reveals that a majority of other local companies were either traders or business/engineering service providers. They were less dependent on foreign MNCs in their business activities when compared to high-growth local companies (Table 6.1.10). It can be expected that a majority of other local companies were merely suppliers of parts and services to foreign MNCs. As a result, the extent of such an involvement might not require them to rely on the (state-of-the-art) analytical techniques to formalise their strategic planning to work closely with foreign MNCs.



**TABLE 6.2.2.4**  
**Correlation between the extent of servicing foreign MNCs and the strategic planning process components utilised by other local companies**

Pearson Correlation	<b>B7-1</b>	B7-2	B7-3	B7-4	B7-5	B7-6
<b>MNCs</b>	<b>0.448*</b>	0.000	0.137	0.124	0.054	0.127
B7-1	1.000	0.775**	0.687**	0.775**	0.739**	0.722**
B7-2		1.000	0.720**	0.684**	0.665**	0.754**
B7-3	-	-	1.000	0.720**	0.628**	0.680**
B7-4	-	-	-	1.000	0.803**	0.683**
B7-5	-	-	-	-	1.000	0.657**
B7-6						1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

MNCs	Extent of firm's business dependence on foreign MNCs.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

Indeed, Table 6.2.2.4 reveals that although the servicing of foreign MNCs had required other local companies to pursue corporate strategic decisions systematically in a rational manner, it neither forced them to rely on the (state-of-the-art) analytical techniques nor place emphasis on gathering feedback from their employees. This was, however, found to be the case for high-growth local companies (Table 6.2.2.2). This study, therefore, supports



the second hypothesis, which argues that the extent of servicing foreign MNCs possess a more significant influence on high-growth local companies' strategic planning process than on other local companies.

### **6.2.3 THE EXTENT OF INTERNATIONALISATION**

The third hypothesis argues that the extent of internationalisation possesses a more significant influence on high-growth local companies' strategic planning process than on other local companies. Similar to the first and second hypotheses, this study used several variables to test this hypothesis. One of the variables included the testing of the requirement of local companies to prepare a formal strategic plan when they investing their business in overseas. Other variables used to determine the influence of internationalisation on local companies' formal strategic planning process included the testing of local companies to adopt the classical strategic planning approach when they formalising their strategic planning. The extent of local companies utilising the classical strategic planning approach and to prepare a formal strategic plan when they investing their business in overseas suggesting that the extent of internationalisation has had a significant influence on their strategic planning process. Similarly, the data collected in

the survey was analysed using the Pearson correlation analysis to determine the correlation between the extent of internationalisation and the above testing variables.

The above hypothesis was formulated, in chapter 4, on the basis that high-growth local companies, which had invested extensively in overseas, were more likely to adopt a more formal strategic planning system to manage their more complex business operations than other local companies. The extent of internationalisation of local companies was determined, in this study, by the extent of their business investment in overseas. It was presumed that the more the local companies invested their business in overseas, the more they had involved in internationalisation.

In accordance to Table 6.1.15, in section 6.1 of this chapter, high-growth local companies had adopted a more aggressive international strategy to invest their business overseas than other local companies. Although it was determined that joint ventures and setting up of overseas subsidiaries were the more preferred methods adopted by local companies when they investing overseas, in comparison, however, a greater number of high-growth local companies (34%) had adopted the direct investment method when compared to other local companies (18%). This strategy often requires a huge capital,

and it can be expected that it would be adopted alongside with a thorough and extensive formal strategic planning.

**TABLE 6.2.3.1**  
**Correlation between the extent of internationalisation and its impacts on high-growth local companies**

Pearson Correlation	<b>C4-1</b>	C4-2	<b>C4-3</b>	C4-4	C4-5	<b>C4-6</b>
<b>Investment</b>	<b>0.650**</b>	0.160	<b>0.518**</b>	0.260	0.183	<b>0.668**</b>
C4-1	1.000	0.603**	0.696**	0.327	0.317	0.525**
C4-2	-	1.000	0.553**	0.204	0.538**	0.365
C4-3	-	-	1.000	0.624**	0.403*	0.545**
C4-4	-	-	-	1.000	0.134	0.285
C4-5	-	-	-	-	1.000	0.525**
C4-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Investment	Extent of firm's investment in overseas.
C4-1	Benefits gained from internationalisation.
C4-2	Force to re-examine and restructure the business.
C4-3	Require to prepare a formal strategic plan.
C4-4	Seek professional assistance outside the firm.
C4-5	Require to enhance professional talents within the firm.
C4-6	Require to think strategically within the firm.

Indeed, the correlation analysis in Table 6.2.3.1 reveals that the extent of internationalisation of high-growth local companies is correlated significantly ( $p < 0.01$ ) to the need to prepare a formal strategic plan (C4-3). This finding affirms with the literature which argues that as companies become more international-oriented, they would develop a more formal and

better control and monitoring system to manage their more complex business operations than the domestic-oriented companies (Baird et al., 1994). Table 6.2.3.1 also reveals that the extent of internationalisation had benefited high-growth local companies significantly (C4-1). It, however, forced them to think strategically when they investing their business in overseas (C4-6).

Surprisingly, the correlation analysis in Table 6.2.3.1 reveals that the extent of internationalisation of high-growth local companies is not correlated to the need to re-examine and restructure the business. This could be attributable to the fact that high-growth local companies had a greater capacity and capabilities to invest their business in overseas than other local companies. It, hence, does not require major business restructuring.

Table 6.2.3.1 also reveals that extent of internationalisation of high-growth local companies is not correlated to the need to seek for professional assistance outside the organisation or enhance professional talents within the company. This could be attributable to the fact that the joint venture partners had made up for their missing skills or overcome their human resource problems when they investing their business in overseas.



**TABLE 6.2.3.2**  
**Correlation between the extent of internationalisation and the strategic planning process components utilised by high grown local companies**

Pearson Correlation	B7-1	<b>B7-2</b>	B7-3	B7-4	<b>B7-5</b>	B7-6
<b>Investment</b>	<u>-0.256</u>	<b>0.540**</b>	<u>-0.279</u>	<u>0.120</u>	<b>0.416*</b>	<u>0.170</u>
B7-1	1.000	0.410*	0.810**	0.520**	0.291	0.303
B7-2		1.000	0.356	0.686**	0.757**	0.581**
B7-3	-	-	1.000	0.417*	0.296	0.236
B7-4	-	-	-	1.000	0.533**	0.555**
B7-5	-	-	-	-	1.000	0.551**
B7-6						1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Investment	Extent of firm's investment in overseas.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

Table 6.2.3.2 affirms the findings in Table 6.2.3.1. It reveals that the extent of internationalisation of high-growth local companies is correlated significantly ( $p < 0.01$ ) to the need to carry out extensive and thorough strategic planning (B7-2), and place emphasis ( $p < 0.05$ ) on gathering and analysing quantitative information (B7-5). It reveals that the extent of

internationalisation had possessed a significant influence on the strategic planning process of high-growth local companies.

**TABLE 6.2.3.3**  
**Correlation between the extent of internationalisation**  
**and its impacts on other local companies**

Pearson Correlation	C4-1	<b>C4-2</b>	C4-3	C4-4	C4-5	<b>C4-6</b>
<b>Investment</b>	0.318	<b>0.492*</b>	0.052	0.047	-0.085	<b>0.434*</b>
C4-1	1.000	0.076	0.514*	0.251	0.173	0.350
C4-2	-	1.000	0.447*	0.301	0.429*	0.535*
C4-3	-	-	1.000	0.472*	0.648**	0.615**
C4-4	-	-	-	1.000	0.567**	0.433*
C4-5	-	-	-	-	1.000	0.649**
C4-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Investment	Extent of firm's investment in overseas.
C4-1	Benefits gained from internationalisation.
C4-2	Force to re-examine and restructure the business.
C4-3	Require to prepare a formal strategic plan.
C4-4	Seek professional assistance outside the firm.
C4-5	Require to enhance professional talents within the firm.
C4-6	Require to think strategically within the firm.

In contrast to high-growth local companies, the correlation analysis in Table 6.2.3.3 reveals that the extent of internationalisation of other local companies is not correlated to the need to prepare a formal strategic plan (C4-3). This finding implies that other local companies do not normally formalise

their strategic planning when they investing their business in overseas. This is in spite of the fact that the extent of internationalisation had required them to think strategically and re-examine and restructure their business ( $p < 0.05$ ). The need of other local companies to re-examine and restructure their business when they investing their business in overseas could be attributable to their business structural deficiency which requires a great deal of restructuring prior to internationalisation.

The literature argues that smaller companies often have limited finance and human resource to compete globally (Kau and Tan, 1989). It can be expected that these problems are more likely to occur in other local companies than high-growth local companies which could magnify if they were to take higher than considerable risk to invest overseas. Other local companies, therefore, would have to take more considerable thoughts and preparatory works in re-examining and restructuring their business prior to internationalisation than high-growth local companies in order to compete effectively in the international arena.



**TABLE 6.2.3.4**  
**Correlation between the extent of internationalisation and the strategic planning process components utilised by other local companies**

Pearson Correlation	B7-1	B7-2	B7-3	B7-4	B7-5	B7-6
Investment	0.028	-0.038	-0.080	-0.073	0.094	-0.271
B7-1	1.000	0.800**	0.787**	0.734**	0.786**	0.632**
B7-2		1.000	0.860**	0.738**	0.761**	0.607**
B7-3	-	-	1.000	0.708*	0.700**	0.605**
B7-4	-	-	-	1.000	0.635**	0.504*
B7-5	-	-	-	-	1.000	0.674**
B7-6						1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Investment	Extent of firm's investment in overseas.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

In consistent with the findings in Table 6.2.3.3, the correlation analysis in Table 6.2.3.4 reveals that the extent of internationalisation is not correlated to any of the variables in the table. It affirms the findings in Table 6.2.3.3 in that the extent of internationalisation did not possess a significant influence on other local companies' strategic planning process. The findings, therefore, support the third hypothesis.



### **6.3 STRATEGIC PLANNING BEHAVIOUR OF LOCAL COMPANIES**

This section examines the strategic planning behaviour of local companies as a result of the external influences discussed in section 6.2 of this chapter. The difference, between high-growth local companies and other local companies as far as their planning behaviours are concerned, was analysed and compared using the *t*-test analysis and the Pearson correlation analysis. In this study, local companies were considered to exhibit a formal planning behaviour if they had produced a written mission statement and engaged in a formal strategic planning process or produced written plans that covered four functional areas of their business activities; namely, finance, operation, marketing and corporate planning.

Respondents, therefore, were asked to indicate in the questionnaire whether or not their company had a mission statement and to what extent their company had engaged in a formal strategic planning process, or produced written documents for its planning activities. Respondents were also asked to indicate how frequently their company had revised its strategic planning to determine its flexibility in planning and responsiveness to environmental change. The above information was tabulated in Table 6.3.1 for comparative analysis.

**TABLE 6.3.1**  
**Comparison of strategic planning behaviours between high-growth local companies and other local companies**

	<b>High-growth local companies</b>		<b>Other local companies</b>	
	Number of companies (N=33)	Percent	Number of companies (N = 39)	Percent
Planning dept or planners	14	42%	17	44%
Mission (written) statement	23	70%	21	54%
Once a year	28	85%	20	51%
Once every 2-3 years	2	5%	10	26%
Once every 4-6 years	1	3%	1	3%
One-time plan	2	4%	1	3%
Others	1 <sup>a</sup>	3%	7 <sup>b</sup>	17%

<sup>a</sup> twice a year

<sup>b</sup> revise as and when required

The frequency analysis in Table 6.3.1 reveals that 70% of high-growth local companies had a written mission statement. This figure is comparatively higher than that of other local companies (54%). The possession of a mission statement, being one of the major and fundamental components in the classical planning model, reveals that local companies had been exposed to the teaching of the Western strategic management practices that had encouraged them to utilise the classical planning model to formalise their strategic planning.

**TABLE 6.3.2**  
**Comparison of strategic planning behaviours between local companies**  
**that possessed a mission statement and those that did not**

	High-growth local companies				Other local companies			
	Yes (Mean) N = 23	No (Mean) N = 10	<i>t</i> - value	Sig. (2- tailed)	Yes (Mean) N = 21	No (Mean) N = 18	<i>t</i> - value	Sig. (2- tailed)
B7-1	3.9130	2.1000	5.804	0.000	3.4762	1.7778	9.944	0.000
B7-2	3.5217	1.6000	8.606	0.000	3.2857	1.7778	9.512	0.000
B7-3	3.2174	1.7000	5.090	0.000	2.4762	1.2222	8.334	0.000
B7-4	3.7391	2.2000	6.057	0.000	3.1905	2.0000	6.838	0.000
B7-5	3.8261	2.4000	5.343	0.000	3.2381	1.7778	8.611	0.000
B7-6	4.000	2.1000	10.348	0.024	3.4286	2.1667	6.896	0.000
B3-4	3.6087	2.6000	2.993	0.007	3.6190	2.4444	4.910	0.000
B4-4	3.4783	2.6000	2.234	0.041	3.5238	1.8889	7.242	0.000

Likert-type response scale: 1 = Not at all

5 = A great deal

**Legends:**

- B7-1 Pursue corporate strategic decisions systematically in a rational manner.
- B7-2 Resolve corporate strategic issues by doing extensive and thorough analyses.
- B7-3 Rely on (state-of-the-art) analytical techniques in making corporate decisions.
- B7-4 Use management information system in making corporate strategic decisions.
- B7-5 Place emphasis on gathering and analysing quantitative information.
- B7-6 Place emphasis on gathering feedback from employees.
- B3-4 Carry out strategic planning.
- B4-4 Produce corporate strategic plan.

Expectedly, the *t*-test analysis in Table 6.3.2 reveals that local companies that possessed a mission statement had engaged in a formal strategic planning process when compared to those that did not possess. The *t*-value in the table is significant for all the variables for both high-growth local companies and other local companies (*t*-value > 2, *p* < 0.05). Mission



statement has been described in the literature as the cultural “glue” which enables an organisation to function as a collective unity (Fahnam, 1993). The literature argues that a mission statement can articulate a strong vision for an organisation, and it is fundamental for the survival and growth of any business (Levitt, 1960; Drucker 1973; Peters and Waterman, 1982). A mission statement can also be useful in developing a unity of purpose within the organisation and communicating the corporate vision to its stakeholders.

Based on the findings in Table 6.3.1, which reveal that 70% of high-growth local companies and 54% of other local companies had possessed a mission statement, it indicates that a majority of local companies had engaged in a formal strategic planning process. This finding is contradictory to the description of the planning behaviour of smaller companies in the literature that argues that a majority of these companies do not engage in a formal strategic planning process (STRATOS group, 1990). On the contrary, this study argues that local companies are more likely to engage in a formal strategic planning process than the conventional Western literature and models would indicate.

In accordance to the literature (Golde, 1964), one would expect that only larger companies would carry out formal strategic planning. The



proponents of strategic management in the small firm argue that the type of planning in a company is contingent upon the stage of its organisational development (Cooper, 1981; Flamholtz, 1990; Berry, 1998). And this activity would evolve and become more formal and sophisticated over the life cycle of the business. In order to determine the impact of firm size on the formal strategic planning process of local companies, the Pearson correlation analysis was carried out to determine the correlation between firm size variables and the strategic planning process components determined in chapter 4 of this thesis. In this study, the size of a local company was measured by means of its fixed assets investment and the number of employees.

**TABLE 6.3.3**  
**Correlation between firm size and the strategic planning process components utilised by high-growth local companies**

Pearson Correlation	B7-1	B7-2	B7-3	B7-4	B7-5	B7-6
Fixed assets	<u>0.269</u>	<u>0.188</u>	<u>0.257</u>	<u>0.196</u>	<u>0.145</u>	<u>0.251</u>
Employees	<u>0.820</u>	<u>0.188</u>	<u>0.208</u>	<u>0.076</u>	<u>0.018</u>	<u>0.195</u>
B7-1	1.000	0.466**	0.808**	0.541**	0.319	0.688**
B7-2	-	1.000	0.452**	0.709**	0.747**	0.612**
B7-3	-	-	1.000	0.464**	0.315	0.710**
B7-4	-	-	-	1.000	0.528**	0.545**
B7-5	-	-	-	-	1.000	0.578**
B7-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**TABLE 6.3.4**  
**Correlation between firm size and the strategic planning process**  
**components utilised by other local companies**

Pearson Correlation	B7-1	B7-2	B7-3	B7-4	B7-5	B7-6
Fixed assets	-0.049	-0.008	0.053	0.181	0.131	-0.064
Employees	0.184	0.145	0.182	0.256	0.211	-0.036
B7-1	1.000	0.780**	0.757**	0.734**	0.770**	0.719**
B7-2	-	1.000	0.784**	0.652**	0.762**	0.635**
B7-3	-	-	1.000	0.682**	0.705**	0.609**
B7-4	-	-	-	1.000	0.744**	0.609**
B7-5	-	-	-	-	1.000	0.629**
B7-6	-	-	-	-	-	1.000

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Legends:**

Fixed Assets	Fixed assets invested in a company.
Employees	Workers employed by a company.
B7-1	Pursue corporate strategic decisions systematically in a rational manner.
B7-2	Resolve corporate strategic issues by doing extensive and thorough analyses.
B7-3	Rely on (state-of-the-art) analytical techniques in making corporate decisions.
B7-4	Use management information system in making corporate strategic decisions.
B7-5	Place emphasis on gathering and analysing quantitative information.
B7-6	Place emphasis on gathering feedback from employees.

Interestingly, the correlation analysis in Table 6.3.3 reveals that there is no significant correlation between firm size and the components of formal strategic planning process for high-growth local companies. A similar insignificant correlation was also occurred for other local companies (Table 6.3.4). These findings suggest that the extent of formal strategic planning

process of local companies is not attributable to firm size, but rather, external influences that were revealed in section 6.2 of this chapter.

**TABLE 6.3.5**  
**Comparison of the extent of strategic planning process components**  
**utilised between high-growth local companies and other local**  
**companies**

	High-growth local companies		Other local companies		<i>t</i> -value	Sig. Level (2-tailed)
	Mean (N=33)	Std. Dev.	Mean (N=39)	Std. Dev.		
B7-1	3.3636	1.2454	2.6923	1.0040	2.487	0.016
B7-2	3.9394	1.1163	2.5897	0.9095	2.465	0.048
B7-3	2.7576	1.1465	1.8974	0.7879	3.643	0.010
B7-4	3.2727	1.0085	2.6410	0.8107	2.893	0.005
B7-5	3.3939	0.9663	2.5641	0.9118	3.726	0.000
B7-6	3.4242	1.0906	2.8462	0.8441	2.481	0.016

Likert-type response scale: 1 = Not at all

5 = A great deal

**Legends:**

- B7-1 Pursue corporate strategic decisions systematically in a rational manner.
- B7-2 Resolve corporate strategic issues by doing extensive and thorough analyses.
- B7-3 Rely on (state-of-the-art) analytical techniques in making corporate decisions.
- B7-4 Use management information system in making corporate strategic decisions.
- B7-5 Place emphasis on gathering and analysing quantitative information.
- B7-6 Place emphasis on gathering feedback from employees.

Interestingly, the *t*-test analysis in Table 6.3.5 reveals that although other local companies had utilised similar components of formal strategic planning as high-growth local companies in the table, they did not utilise these



components as significantly as compared to high-growth local companies. This finding suggests that other local companies did not carry out formal strategic planning as rigorously as compared to high-growth local companies. Table 6.3.5 reveals that, in comparison, high-growth local companies had carried out formal strategic planning more systematically in a rational manner (B7-1) and extensively (B7-2) than other local companies ( $t$ -value  $> 2.0$  and  $p < 0.05$ ). They had also relied more on the (state-of-the-art) analytical techniques (B7-3) and the management information system (B7-4) when making corporate strategic decisions. Furthermore, they had also placed more emphasis on gathering and analysing quantitative information and feedback from their employees ( $t$ -value  $> 2.0$  and  $p < 0.05$ ).

The above findings support the fourth hypothesis, which argues that high-growth local companies engage in a more formal and rigorous strategic planning process than other local companies in their business operations. The difference in the extent of formality and emphasis of strategic planning between high-growth local companies and other local companies could be attributable to different external involvement and intervention in their strategic planning process. Section 6.2 of this chapter reveal that on one hand, high-growth local companies were more influenced by foreign MNCs and



internationalisation; whereas, on the other hand, other local companies were more influenced by the government.

Incidentally, Table 6.3.1 reveals that a majority of high-growth local companies (85%) were revising their strategic plan annually. A large number of other local companies (49%), in contrast, did not revise their strategic plan as regularly as compared to high-growth local companies. Of these companies, 26% were revising their strategic plan once in every two to three years. 6% either formulated a one-time plan or were revising it once in every four to six years. In the other extreme, 17% were revising their strategic plan as and when it is required.

The above findings suggest that high-growth local companies were more responsive, in their planning, to environmental change than other local companies. Periodic reviewing of a strategic plan is supported in the small business literature which argues the importance of constant monitoring and measuring of a company's progress against its formulated strategic plan (Napuk, 1999). Unlike large foreign MNCs, local companies, by and large, are more susceptible to, and constantly facing both the domestic and global environmental changes. Constant reviewing of their strategic plan, therefore,

is necessary in order to respond to the most relevant business condition in Singapore in order to perform effectively.

**TABLE 6.3.6**  
**Comparison of the extent of staff responsible for strategic planning**  
**between high-growth local companies and other local companies**

	<b>High-growth companies</b>		<b>Other local companies</b>			
	Mean (N=33)	Rank	Mean (N=39)	Rank	<i>t</i> -value	Sig. level (2-tailed)
Planners	1.4545	4	1.5641	4	0.283	0.778
CEO/Managing director	4.5758	1	4.5385	1	0.209	0.835
External consultants	1.7273	3	1.8205	3	0.254	0.800
Departmental managers	3.0303	2	2.9231	2	0.319	0.751

Likert-type response scale: 1 = Not at all

5 = A great deal

As expected, Table 6.3.6 reveals that the CEO/managing director of both high-growth local companies and other local companies was wholly responsible for strategic planning. This finding agrees with the literature that the strategy of a company is often the by-product of the CEO/owner's decisions and vision which often reflects his personal aspirations and values (O'Farrell and Hitchins, 1988). The literature argues that the entrepreneur's personality, in particular his values and goals, is often indistinguishable from the goals of a company which influences the strategy adopted, and ultimately, determines the company's performance (Lynn, 1992).

The *t*-test analysis in Table 6.3.6 reveals that there is no significant difference, between high-growth local companies and other local companies, as far as the responsibility of the CEO/managing director for strategic planning is concerned (*t*-value = 0.209,  $p > 0.05$ ). This finding implies that the planning attitude and behaviour of the CEO/managing director are of vital importance, as it would affect the introduction of a formal strategic planning system in a company. The literature argues that if this individual is not predisposed to planning, this activity will not take place (Daniel, 1992). This is because he is the only person in a company who can actually encourage others, especially senior line executives or departmental managers, to release time from pressing operational matters to participate in it (Carland et al., 1989). Whether an effective strategic planning can be formulated and implemented successfully in a company or not, therefore, depends heavily on the support and commitment of the CEO/managing director.

Surprisingly, Table 6.3.6 reveals that planners were not responsible for strategic planning in a company. The *t*-test analysis in Table 6.3.6 could not differentiate the extent of planners' responsibility for strategic planning between high-growth local companies and other local companies (*t*-value = 0.283,  $p > 0.05$ ). This is despite the fact that almost half of local companies



participated in the survey (42% ~ 44%) indicated that they had either a planning department or staff dedicated to undertake the company's planning activities (Table 6.3.1). This finding suggests that planners in a local company were more dedicated to undertake other planning activities rather than corporate strategic planning. Their roles, however, could facilitate the CEO/managing director in providing key planning parameters or suggesting realistic assumptions on the trends in the external environment to help him formulate the corporate strategies.

Similarly, Table 6.3.6 reveals that external consultants were not found responsible for strategic planning in both high-growth local companies and other local companies. This finding contradicts the findings in section 6.2 of this chapter which reveals that local companies need to seek for professional assistance outside the organisation when they utilised government initiatives and servicing foreign MNCs. This could reflect the managerial behaviour of local companies that often limits the role of external consultants to specific problems rather than seeing them as central to the strategic planning process. In this study, local companies were more likely to engage external consultants to solve specific problems; for example, in helping them to acquire government initiatives and servicing foreign MNCs rather than having these consultants involving in the strategic planning process.



The literature argues that external consultants could help companies provide an objective and formal approach to strategic assessment analysis (Orpen, 1985; Bracker and Pearson, 1985). Despite suggestions that external consultants could also facilitate the improvement and functioning of a strategic planning process, this study reveals that local companies did not fully exploit all these benefits (Orpen, 1985; Bracker & Pearson, 1985; Carroll, 1985; Flamholtz, 1990). This could be attributable to the dominance of the CEO/managing director in local companies who often takes the role of a strategist, and wholly involves in, and responsible for strategic planning (Table 6.3.6).

## 6.4 SUMMARY

In summary, the analysis of the quantitative findings in this chapter has provided many interesting results. It reveals that high-growth local companies were larger companies when compared to other local companies. In spite of their greater footholds, they were more supported by the government in utilising its initiatives than other local companies. Their business activities were also more dependent on foreign MNCs and internationalisation. As a result of the external influences, local companies were forced to engage in a formal strategic planning process. This study reveals that the strategic planning process of high-growth local companies was more influenced by foreign MNCs and internationalisation, whereas, that of other local companies was more influenced by the government. Firm size, in contrast, did not possess a significant influence on the strategic planning process of local companies. In comparison, however, high-growth local companies had engaged in a more formal and rigorous strategic planning process than other local companies. This could be attributable to different external involvement and intervention in their strategic planning process. Table 6.4 has summarised the overall findings and analysis of this study.

**TABLE 6.4**  
**Comparison of the extent of external influences on the strategic planning process between high-growth local companies and other local companies**

	<b>High-growth local companies</b>	<b>Other local companies</b>
Profile of local companies	<p><u>Larger</u> in size, in terms of fixed assets investment and the number of employees.</p> <p>Utilised <u>more</u> government initiatives.</p> <p><u>More</u> dependent on foreign MNCs in their business activities.</p> <p>Invested <u>more</u> significantly in overseas and adopted <u>more</u> aggressive international strategies.</p>	<p><u>Smaller</u> in size.</p> <p>Utilised <u>less</u> government initiatives.</p> <p><u>Less</u> dependent on foreign MNCs in their business activities.</p> <p>Invested <u>less</u> significantly in overseas and adopted <u>less</u> aggressive international strategies.</p>
Influence of utilising government initiatives	<p><u>Less</u> significant influence.</p>	<p><u>More</u> significant influence.</p> <p>Pursued corporate strategic decisions systematically in a rational manner.</p> <p>Resolved corporate strategic issues by doing extensive and thorough analyses.</p> <p>Placed emphasis on gathering and analysing quantitative information.</p>



Influence of servicing foreign MNCs	<p><u>More</u> significant influence.</p> <p>Pursued corporate strategic decisions systematically in a rational manner.</p> <p>Relied on the (state-of-the-art) analytical techniques.</p> <p>Placed emphasis on gathering feedback from employees.</p>	<u>Less</u> significant influence.
Influence of internationalisation	<p><u>More</u> significant influence.</p> <p>Resolved corporate strategic issues by doing extensive and thorough analyses.</p> <p>Placed emphasis on gathering and analysing quantitative information.</p>	<u>Less</u> significant influence.
Comparison of strategic planning behaviours between high-growth local companies and other local companies	<p>The CEO/managing director was <u>wholly</u> responsible for strategic planning.</p> <p>Pursued corporate strategic decisions <u>more</u> systematically in a rational manner.</p> <p>Relied <u>more</u> on the (state-of-the-art) analytical techniques.</p> <p>Relied <u>more</u> on the management information system (MIS).</p> <p>Placed <u>more</u> emphasis on gathering and analysing quantitative information.</p>	<p>The CEO/managing director was <u>wholly</u> responsible for strategic planning.</p> <p>Pursued corporate strategic decisions <u>less</u> systematically in a rational manner.</p> <p>Relied <u>less</u> on the (state-of-the-art) analytical techniques.</p> <p>Relied <u>less</u> on the management information system (MIS).</p> <p>Placed <u>less</u> emphasis on gathering and analysing quantitative information.</p>



	<p>Placed <u>more</u> emphasis on gathering feedback from employees.</p> <p>Planners and external consultants were <u>not</u> responsible for strategic planning.</p> <p>A <u>greater</u> number of companies (85%) revising corporate strategic plan once a year.</p>	<p>Placed <u>less</u> emphasis on gathering feedback from employees.</p> <p>Planners and external consultants were <u>not</u> responsible for strategic planning.</p> <p>A <u>lesser</u> number of companies (51%) revising corporate strategic plan once a year.</p>
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# CHAPTER 7

## Discussion

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This chapter discusses the quantitative findings presented in chapter 6 of this thesis. The findings are discussed in accordance to the research questions stated in chapter 1, and the hypotheses formulated in chapter 4 of this thesis. The discussion is presented in three sections. Prior to the discussion, the theme of this thesis is first presented. The discussion focuses mainly on the uniqueness of the Singapore business environment where the strategic planning process of local companies was influenced by external influences. At each stage of the discussion, the important theoretical and practical lessons that have been learnt in this study are drawn together to summarise the overall contribution of this research to the strategic management theory and the literature.

The first section of this chapter will discuss and compare the profile of high-growth local companies and other local companies in Singapore. These two groups of local companies were used as research samples to test the hypotheses of this study. The second section will discuss the effect of three external influences; namely, (1) the utilisation of government initiatives, (2) the servicing of foreign MNCs and (3) the extent of internationalisation on local companies' strategic planning process. Comparisons of its effects on high-growth local companies and other local companies in Singapore will be made and also discussed. While the effect of the internal influences such as firm size and the planning behaviour and attitude of entrepreneur has been well determined and discussed in the literature (Flamholtz, 1990; Daniel, 1992), the external influences considered in this study are new findings. The last section of this chapter will discuss the strategic planning behaviour of local companies as a result of the above external influences. It will also compare the strategic planning behaviours between high-growth local companies and other local companies, and their strategic planning behaviours with that described for the small and medium-sized enterprises [SMEs] in the literature (STRATOS group, 1990).

The discussion of this chapter will provide useful information and contribute to the strategic planning theory and the literature. It will help the Association of Small and Medium-sized Enterprises [ASME], the policy makers and the strategic management theorists to advise local companies to develop a good system of formal strategic planning closely allied with the government and foreign MNCs, and prior to internationalisation. This study argues that having a good formal strategic planning system in a company is important as it will help the company work closely with the government, foreign MNCs and joint ventures' partners in order to sustain their business growth.



## **7.1 THE THEME OF THIS THESIS**

The theme of this thesis argues that the management approach of an organisation towards strategic planning is not only determined by the internal characteristics of the organisation, but it can also be affected by external influences. In general, an organisation can be viewed as an “open” system where it receives inputs from the external environment, transform it internally, and then send the outputs back to the environment. Whatever the inputs the organisation receives, it would affect its strategic planning behaviour and orientation. In the uniqueness of the Singapore economic development, which is led mainly by the government and dependent significantly on foreign investments and internationalisation, this study argues that local companies would undertake a much more formal strategic planning than the conventional Western literature and models would indicate (STRATOS group, 1990). It therefore tests the robustness of the conventional models of planning in smaller companies described in the literature (Golde, 1964). In contrast to the literature and the conventional models, this study found that as a result of external influences, a majority of local companies utilised the classical planning model to formalise their strategic planning.

## **7.2 THE PROFILE OF HIGH-GROWTH LOCAL COMPANIES AND OTHER LOCAL COMPANIES IN SINGAPORE**

This study has revealed several distinctive characteristics and differences between high-growth local companies and other local companies in Singapore. These two significantly different groups of local companies were used as research samples for the analysis to determine and compare the effect of external influences on their strategic planning process. The determination of the profile of high-growth local companies and other local companies can be useful for a similar future analysis to compare and contrast other aspects of strategic planning behaviours between high-growth local companies and other local companies which were not considered in this research. It can also be useful in other future research areas that require a similar comparative analysis between the two groups.

The determination of the profile of high-growth local companies and other local companies has marked a significant difference between two groups not only in terms of their firm size, but also in the extent of their utilisation of government initiatives, servicing foreign MNCs and internationalisation. This study has noted that although the extent of the external influences had encouraged both high-growth local companies and

other local companies to formalise their strategic planning, the former had engaged in a more formal and rigorous strategic planning process when compared to the latter. These interesting findings will be discussed in more details in section 7.3 and section 7.4 of this chapter.

According to the research findings, it found that high-growth local companies had a larger firm size when compared to other local companies. The size of a local company in this study was measured using its fixed assets investment and the number of employees. The two variables used were consistent with the small business literature in order to ensure that the comparison of firm size of local companies with that determined in the literature can be carried out on a similar basis (Flamholtz, 1990). According to the literature, firm size is usually associated with the business growth. A larger firm size of high-growth local companies than that of other local companies is therefore not unexpected in this study.

In general, being larger in firm size, one would expect that the organisational structure of high-growth local companies is more complex when compared to that of other local companies. The proponents of strategic management in the small firm argue that the type of planning in a company



is contingent upon the stage of its organisational development (Cooper, 1981; Flamholtz, 1990). The literature also argues that this activity would evolve and become more formal and sophisticated over the life cycle of a business (Berry, 1998). While the above assumptions may be true in most cases, this study however found that the external influences, considered in this study, possessed a more significant influence on local companies' strategic planning process than its firm size.

Incidentally, the sample taken to represent high-growth local companies in this study were companies that had been selected for, and received the "Enterprise-50" award. This award was presented to these companies to recognise their significant contributions to the Singapore economy. It also served as an encouragement for other local companies to follow their footpaths so that they could be encouraged, and likewise grow and emerge to become a high-growth company.

Prior to presenting the "Enterprise-50" award, local companies participating in the selection process were assessed and evaluated by an evaluation team, which comprised of the Andersen Consulting group, The Business Times and the Economic Development Board [EDB] of Singapore.



The evaluation procedures were considered to be stringent by the Singapore government. Among the various quantitative and qualitative factors considered in the selection process, the growth in company turnover and profits over a four-year period were also included to determine the growth of the participating companies.

The evaluation procedures had determined successfully a core group of high-growth local companies in Singapore. These companies were on the fast track and growing rapidly. This study found that some of these companies had listed their stocks in the Singapore stock exchange market. It was also expected that the rest of high-growth local companies would have a similar track record and potential to issue shares in the Initial Public Offering [IPO] to raise funds for their planned growth. In contrast, none of other local companies had issued shares in the stock exchange market. The ability to issue shares in the Singapore stock exchange market implies that high-growth local companies would have a greater capacity and capabilities to expand their business when compared to other local companies.

The literature argues that the operation of smaller companies is often hindered by resource constraints (Golde, 1964). In comparison, it can be

expected that other local companies would be more prone to financial difficulties when compared to high-growth local companies. Coupled with their smaller scale operation, they would have limited power to influence and modify the environment to their advantage. Consequently, they would be more vulnerable to adverse environmental changes, and hence, require more supports from the government when compared to high-growth local companies.

Interestingly, however, it was found in this study that a larger proportion of high-growth local companies (43%) was manufacturing companies. This is in contrast to other local companies where a majority of them were either trader (37%) or business/engineering service provider (31%). This finding suggests that local manufacturing companies were more successful companies when compared to those in the other industry sectors. This is not surprising given the fact that Singapore has relied more significantly on its manufacturing activities than the other industries in its economic development since the country gained its independence in the early 1960s. In fact, so successful its manufacturing activities have been that, recently, the Economic Development Board [EDB] of Singapore has determined that the manufacturing sector should be the main engine of

economic growth in the next phase of the Singapore economic development. In particular, high-growth local manufacturing companies are strongly encouraged by the government to forge mutually beneficial symbiotic relationships, through close co-operation and collaboration, with foreign MNCs and develop strategic alliance to venture abroad.

Since the economic recession in 1985, the Singapore government has put a much more emphasis on measures to support local enterprise development. At the time of writing this thesis, there were more than 60 assistance schemes and programmes formulated and fund set aside to help local companies develop in every stage of their growth. Singapore, however, has its own way of assisting local enterprises. While many of its initiatives and financial assistance schemes were made available to many local companies, there was a special emphasis stressed by the government on the winners. As recall from chapter 2 of this thesis, the main objective of providing the initiatives is to enable local companies to contribute more effectively, in return, to the Singapore economy. Thus, the target group of the government initiatives has focussed primarily on the 'innovative' start-ups and 'promising' local enterprises that have the critical mass, capacity, capability and commitment to innovate and grow (EDB, 1989). Based on the

above criteria, it would be expected that high-growth local companies, which have the necessary factors for success, are more able to utilise the government initiatives when compared to other local companies. It is, therefore, not surprising to realise in this study that despite the fact that high-growth local companies have a greater capacity and capabilities when compared to other local companies, they were more supported by the government. It can be expected that their presence would contribute more significantly to the Singapore economy when compared to other local companies in helping the country to fulfil its vision of creating a more balanced, vibrant and resilient economy in the next phase of its economic development.

This study also found that high-growth local companies were more dependent on foreign MNCs in their business activities than other local companies. They had also invested their business more extensively in overseas and adopted a more aggressive international strategy when compared to other local companies. The ability of high-growth local companies to work closely with foreign MNCs and invest overseas is not unexpected. On one hand, they have a greater capacity and capabilities to grow and emerge, while on the other, they were more supported by the



government when compared to other local companies. Given the fact that Singapore has a small and limited domestic market, however, it is vital for local companies, whether high-growth local companies or other local companies, to venture abroad in order to sustain their business growth and carve their market niches.

In summary, this study has successfully revealed two distinctive groups of local companies in Singapore. This study found that each group of local companies had a distinct profile. They were different both in terms of firm size and strategic orientation. On one hand, high-growth local companies were larger and more successful companies when compared to other local companies. They had utilised a great deal of government initiatives, and were more dependent on foreign MNCs and international markets in their business activities. On the other hand, other local companies were smaller and less successful companies. They had utilised a lesser government initiatives, and were less dependent on foreign MNCs and international markets in their business activities. This distinct profile of high-growth local companies and other local companies has supported its use as research samples to determine and compare the effect of external influences on their strategic planning process. Based on the analysis of the research

findings, some interesting results pertaining to the strategic planning process and behaviour of local companies, as a result of the external influences, had been found. It will be discussed in more details in the following sections.

## **7.2 EXTERNAL INFLUENCES ON STRATEGIC PLANNING PROCESS OF LOCAL COMPANIES**

Many empirical researches, thus far, have been concentrated mainly on studies pertaining to the strategic planning of large corporations (Ringbak, 1969; Taylor and Irving, 1971). This was then followed by studies on the strategic planning behaviour of smaller companies (Robinson and Pearce, 1984). In particular, the study of the influence of entrepreneurs and firm size on smaller companies' strategic planning process has been greatly emphasised (O'Farrell and Hitchins, 1988; Daniel, 1992; Mintzberg, 1982). There were also studies carried out to determine the contribution of strategic planning to firm performance (Greenley, 1986; McKiernan and Morris, 1994). Hitherto, however, there is no major study being carried out to determine the effect of external influences on company strategic planning

process. The discussion of this section, therefore, would contribute significantly to the strategic management theory and the literature.

In line with the research objectives, this study has determined and compared successfully the effect of three external influences; namely, the utilisation of government initiatives, the servicing of foreign MNCs and the extent of internationalisation on local companies' strategic planning process. The effect of these three external influences, however, may be only peculiar to the Singapore business context where the economy is led mainly by the government and dependent significantly on foreign MNCs' investments and internationalisation. Each external influence had been analysed separately in chapter 6 of this thesis to facilitate the discussion.

Among the three external influences that had been considered in this study, foreign MNCs were found to possess the most powerful influence on local companies' strategic planning process. Although the extent of servicing foreign MNCs was found to possess a more significant influence on high-growth local companies' strategic planning process than on other local companies, it can be deducted from the study that the latter could also experience a similar influence if they were to involve more significantly in



the foreign MNCs' activities. This, however, would require the support of the government, first of all, to help them build up their capacity and capabilities so that they could forge a mutually beneficial symbiotic relationship with their foreign counterparts. It is foreseeable however that without the support of the government, it would be difficult, if not impossible, for them to build up this capacity and capabilities.

Unfortunately, the provision of government initiatives had been lopsided in the sense that although other local companies were more need of the government's supports, they did not utilise as many government initiatives as compared to high-growth local companies. Interestingly, however, this study found that the extent of utilising government initiatives had possessed a more significant influence on their strategic planning process than on high-growth local companies. This study found that while other local companies had to utilise government initiatives, they were forced to carry out formal strategic planning in order to utilise it. The extent of utilising government initiatives had also forced them to re-examine and restructure their business, and enhance professional talents within the company.



This study argues that without the provision of government initiatives, it would be difficult for other local companies to invest in such modernisation programmes and survive in the Singapore competitive business environment. In fact, due to the lack of their capacity and capabilities, the growth of other local companies is often being suppressed. Moreover, due to their smaller size and limited operations, they are often more susceptible to environmental change when compared to high-growth local companies. This may further demoralise them from engaging in a formal strategic planning process since no matter how effective their strategic planning may be, they may not have the resources to implement it anyway. In the worst case, it may force them to forgo planning altogether.

From this study, it can be learnt that the Singapore government not only plays a significant role in directing the economy, but they also play an influential role in leading other local companies. This study found that as a result of the government's influence, other local companies were encouraged to formalise their strategic planning systematically in a rational manner, resolve their corporate strategic issues by doing extensive and thorough analysis, and place more emphasis on gathering and analysing quantitative information.

The above influences, however, is not unexpected as the requirement for other local companies to submit their strategic plan prior to the utilisation would be more stringent when compared to high-growth local companies. Since other local companies are less likely to contribute as significantly to the Singapore economy as compared to high-growth local companies, they would have to plan more convincingly than high-growth local companies to justify for their needs to utilise government initiatives. Moreover, the government initiatives is mainly targeted at 'innovative' start-ups and 'promising' local companies that have the critical mass, capacity, capability and commitment to grow and develop. Many of the other local companies, however, do not belong to this category.

From the economic viewpoint, however, this study argues that both high-growth local companies and other local companies could be equally supported. In the Singapore economy, in particular, where unemployment is not the main issue, the focus on value-generating rather than employment-generating local companies could be emphasised. More initiatives, therefore, could be also made available to other local companies alongside the support given to high-growth local companies.

In consistent with the second hypothesis, this study found that the extent of servicing foreign MNCs had a more significant influence on the strategic planning process of high-growth local companies than on other local companies. As mentioned earlier in this section, other local companies could have also experienced a similar influence if they were to involve more significantly in foreign MNCs' business activities. Incidentally, this study found that the business activities of other local companies were less dependent on foreign MNCs. Given the fact that a majority of other local companies were either traders or service providers, it can be expected that they were merely suppliers of parts and services of foreign MNCs. In contrast, however, high-growth local companies were more dependent on foreign MNCs. It would be expected that high-growth local companies would face more challenges in trying to meet the demands and expectations of foreign MNCs than other local companies.

Indeed, this study has found that the extent of servicing foreign MNCs had forced high-growth local companies to formalise and integrate their strategic planning into foreign MNCs' planning system. It can be expected that they would also set up various formal planning systems by



adopting foreign MNCs' planning guidelines and complying with their reporting requirements to forge a mutually beneficial symbiotic relationship with them.

In fact, fully aware of the importance of foreign MNCs' contributions to the local enterprise development, the government in the implementation of its strategy to develop local enterprises had capitalised on the strength of foreign MNCs to encourage them serve as mentors to local companies. Under the Local Industry Upgrading Programme [LIUP], for instance, it had brought the two different entities closer together to improve local companies' operating efficiency. This includes widening their product range, introducing new processes, and undertaking joint product and process development with foreign MNCs.

Interestingly, this study found that high-growth local companies, while servicing foreign MNCs, had to rely on the state-of-the-art analytical techniques to formalise their strategic planning systematically in a rational manner. This study learnt that local companies could be encouraged to utilise the strategic planning models if they were taught how to use it. The literature argues that the utilisation of the strategic planning models is often associated



with the acquisition of more information and in-depth strategic thinking (Orpen, 1989). This is affirmed in this study, which found that the extent of servicing foreign MNCs had encouraged high-growth local companies to place more emphasis on gathering feedback from their employees. In a long run, it can be expected that as a result of foreign MNCs' influences, the virtue of using the strategic planning models can be made apparent to many local companies in the future.

The government, thus far, has contributed in facilitating an effective technology and management transfer from foreign MNCs to local companies (EDB, 1993). By intervening directly, it helps to remedy imperfections in the transfer process by identifying various transfer opportunities, and acting as a matchmaker between the two different entities to increase the credibility and reliability of the transfer process. The involvement of the government had also induced the interest and willingness of both parties to make the process works. It had also encouraged the formation of a close and sustainable relationship between the two different entities. This study agrees with the literature that strategic planning plays a critical role in strategic alliances (Lorange and Roos, 1992). Effective planning, therefore, is needed to for it to succeed. Formulating a strategic plan to facilitate the technology and

management transfer, therefore, is essential as it could help local companies identify the objectives of the transfer that could only benefit them if it were in-line with their own objectives. By stating the mission statement and both the objectives clearly in the strategic plan, local companies can also employ their resources more effectively and efficiently in the transfer process.

It can be learnt from this study that the assistance provided by foreign MNCs and the integration of local companies' strategic planning into foreign MNCs' planning system are instrumentals in forcing local companies to formalise their strategic planning to a high level. In fact, the assistance provided by foreign MNCs, and the integration of local companies' strategic planning into foreign MNCs' planning system are essential in the working relationships between the two different entities. In general, foreign MNCs would have more corporate planning experiences that are more long-term oriented when compared to local companies. Planning together with foreign MNCs, as a result, would provide a benchmark against which the organisational attainments of local companies can be measured. Being part of the foreign MNCs' planning system, and hence its operating networks, it could provide opportunities for local companies to search for new business

bases and market expansions that offer an alternative to vertical integration models.

This study argues that the Local Industry Upgrading Programme [LIUP] could be also extended to other local companies. Presently, the criteria used to qualify local companies to participate in the Local Industry Upgrading Programme [LIUP] are stringent. Besides having the right attitude and receptive of local companies towards upgrading and development, these local companies must also have to have the facilities and capacity to absorb the technology or management skills being transferred. This is, however, not at the disposal of other local companies in particular. Furthermore, other local companies may not have the necessary capacity and capabilities to participate in the programme, in terms of having good product or service quality, flexibility, reliability, delivery, and cost competitiveness.

At the time of writing this thesis, there were only 130 local companies participated in the Local Industry Upgrading Programme [LIUP] under the tutelage of 26 foreign MNCs (Maddox, 1992). This study argues that the government, perhaps, could help more local companies to participate in the programme as this study found that foreign MNCs possessed a significant



influence in leading local companies. Other initiatives could be provided to help other local companies develop their capacity and capabilities so that they can build a mutually beneficial symbiotic relationship with foreign MNCs and be more involved in their activities.

In consistent with the third hypothesis, this study found that the extent of internationalisation had possessed a more significant influence on the strategic planning process of high-growth local companies than on other local companies. The extent of internationalisation had encouraged high-growth local companies to carry out formal strategic planning extensively and thoroughly. It had also forced them to place emphasis on gathering and analysing quantitative information. This finding affirms with the literature that as a company becomes more international-oriented, it would implement a more formal monitoring and control system to manage its more complex business activities and operations than a domestic-oriented company (Baird et al, 1994).

In contrast to high-growth local companies, however, this study found that the extent of internationalisation did not have any significant influence in encouraging other local companies to carry out formal strategic planning.



This is despite the fact that the extent of internationalisation had forced them to re-examine and restructure their business. The need of other local companies to re-examine and restructure their business could suggest that they were more lack of the necessary control and monitoring system to manage their overseas business than high-growth local companies.

Over the past decades, the government has been encouraging local companies to venture abroad so that they could build an external economy for Singapore, and to maintain its international competitiveness. This study learnt that the government could also encourage other local companies to plan more extensively prior to internationalisation. This study agrees with the literature that formulating a strategic plan is essential for internationalisation (Cavusgil and Zou, 1994). The reason being that it is only when a company had established a clear sense of strategic direction, could it choose the best partner and network to operate in. In fact, some of the local companies, in particular, high-growth local companies, had followed this advice to, first of all, diversify their business to the regional countries with their overseas counterparts, and then venture into the other parts of the world. Extensive strategic planning, however, is necessary if they were to invest in many foreign countries, as different countries would

have a different business culture and environment that require a totally different strategy.

One of government initiatives; namely, the Total Business Plan [TBP], was designed to assist local companies formulate a total business plan prior to internationalisation. This plan includes strategies for market development, business diversification, business collaborations, mergers and acquisitions, as well as specific plans for implementation. The aim of providing this initiative is to help local companies discover their core strengths, identify problem areas as well as formulate strategies for growth through the process of strategic planning. This scheme, however, is presently only made available to a specific group of local companies. This study argues that the government could also extend the scheme to other local companies as it might encourage them to put more considerable thoughts and preparatory works prior to internationalisation.

Insofar as internationalisation is concerned, local companies could also re-examine their core competence prior to internationalisation rather than merely following the 'globalisation' trend without being, first of all, determine their own strengths and suitability to participate in the programme.

They, therefore, have to engage in a formal strategic planning process to examine their strengths and weaknesses systematically in a rational manner alongside with the threats and opportunities, the rules and regulations imposed by the host country before taking steps to venture into that country.

#### **7.4 STRATEGIC PLANNING BEHAVIOUR OF LOCAL COMPANIES**

This section discusses and compares the strategic planning behaviour between high-growth local companies and other local companies as a result of the external influences. It also discusses and compares the strategic planning behaviour of local companies with that described in the literature (STRATOS group, 1990). Insofar as the strategic planning behaviour of smaller companies is concerned, it has been described in the literature as unstructured, irregular and incomprehensive (Still, 1974). The keyword to strategic planning in a small company is 'informal' (Unni, 1981). The literature argues that smaller companies often lack the expertise and time for planning (Golde, 1964). They only consider strategic planning as a useful fringe to be performed if only when time permits, which can be only



afforded by large corporations (Gilmore, 1971). The basic tendency among the smaller companies, as described in the literature, is to shy away from formal planning (Golde, 1964).

In consistent with the literature, many past empirical researches had also found a similar conclusion in that formal strategic planning is not so widespread among the small and medium-sized enterprises [SMEs] in the Western countries. The STRATOS group (1990), for example, in its study of eight European countries had found that there were only one-in-six small and medium-sized enterprises engaging in a formal strategic planning process. According to a report of the chartered institute, many of the UK's small and medium-sized enterprises were failing to plan strategically for the future (Chartered Institute of Management Accountants, 1999). Its 'facing the future' survey of fast-growing businesses with turnover growth in excess of 10% per annum over a three-year period from a variety of industry sectors had found that almost one-third (32%) of its respondents had no business plan at all. Surprisingly, of those companies that did plan, almost half (49%) had failed to communicate of that plan to their staff. This apparent lack of concern over the importance of business planning was further underlined



when only 3% of its respondents indicated that planning would be a key area for them to strengthen their business.

The above descriptions and findings, however, are in contradictory to the findings of this research. This study argues that although the literature and the past empirical researches carried out in the Western countries may describe the planning behaviour of a typical small and medium-sized enterprise, it may not hold true for many local companies in Singapore. On the contrary, this study found that a majority of local companies had engaged in a formal strategic planning process. This, however, may be only peculiar to the Singapore context where the strategic planning process of local companies was influenced by external influences.

As mentioned earlier in the previous sections, the Singapore economy is very regulated and led mainly by the government. Furthermore, it is dependent significantly on foreign investments and the international markets. Over the past few decades, Singapore had been considered as an ideal location for foreign investments by virtue of its strategic trading position, political stability, effective infrastructure and skilled workforce. Foreign MNCs besides bringing in new capital and technical know-how for

industrialisation and providing access for local companies to the international markets, they had also brought with them the Western strategic planning practices and had influenced local companies to utilise it. Besides foreign investments, the Singapore economy has also depended heavily on the international trade. In fact, so important has the international trade become that in 1991, the sum total of exports and imports (S\$203 billion) even exceeded its gross domestic products (S\$69 billion) by almost three times (Monetary Authority of Singapore, 1991- 1992). Given the small size of the Singapore economy, free trade and internationalisation have become the culture of its economic development.

In comparison, however, high-growth local companies were found to be more outward oriented when compared to other local companies. They had also carried out more formal and rigorous strategic planning than other local companies. This study argues that the difference in the extent of planning between high-growth local companies and other local companies could be attributable to different external involvement and intervention in their strategic planning process. Previous section revealed that the strategic planning process of high-growth local companies, on one hand, was more

influenced by foreign MNCs and internationalisation, whereas that of other local companies, on the other, was more influenced by the government.

Incidentally, a majority of local companies had used the management information system [MIS] to help them carry out formal strategic planning. While the literature argues that smaller companies are often impeded by imperfect and insufficient information (Shuman, 1975), it may not be true for Singapore companies as the information can be easily obtained from their information system. This study found that local companies, while servicing foreign MNCs, had to integrate their strategic planning into foreign MNCs' planning system. This could help them obtain both timely and quality information.

Interestingly, a majority of local companies that engaged in a formal strategic planning process had utilised the classical planning model which emphasises on the importance of formulating a mission statement to guide the company along the path of its success. The literature argues that having a mission statement is important, and it is fundamental for the survival and growth of any business (Fahrnam, 1993). Having a mission statement could also help local companies integrate the thinking of individuals into a total



effort and increase the company's legitimacy with its new stakeholders such as financial institutions and shareholders. In other words, it can be used as cultural glue that enables an organisation to function as a collective unit. Without setting out a concise and meaningful mission statement, it can be expected that local companies could wonder aimlessly in the marketplace with no idea of where to go or how to get there. Having a mission statement is therefore important, as it would help company focus on specific objectives that are in-line with its mission.

This study agrees with the literature that most workers, whether in a large corporation or small and medium-size enterprise, often possess a strong desire to know where the business is going and how their efforts could contribute toward attaining the overall business objectives (Stoner and Fry, 1987). The literature argues that where they could understand the business objectives and direction, they would be more motivated and willing to suggest ideas and exert extra efforts to give the company an edge over its competitors, rather than being frustrated and dissatisfied with the company (Stoner and Fry, 1987). In fact, being a smaller company when compared to foreign MNCs, local companies could encourage their staff to participate in the formulation of its mission statement and strategic plan as their



contributions could make a difference between a company's success and failure.

Thus far, the literature suggests that there is no single strategic planning model that is appropriate for small businesses (Lynn, 1992). Strategic planning, which reflects the nature of an organisation, however, can vary from a very simple process to a very complex one. A majority of local companies utilising the classical planning model could imply that they were convinced of its applicability in their business. The second-generation entrepreneurs, whom had been trained in local institutions that have drawn heavily on the Western literature or worked previously in foreign MNCs, could have gradually changed the traditional method of planning in their company.

Interestingly, this study found that the classical planning model adopted by local companies tends to be more flexible, which involves an ongoing process of annual revising. This study agrees with the literature that strategic planning models developed for smaller companies should not contain a rigid, inflexible management practice that inhibits change (Lynn, 1992). It, however, argues that strategic planning, no matter how flexible it

must be, has to be carried out in a systematic and rational manner so that it can change continuously to meet the demands and expectations of the changing environment. Interestingly, this study found that a majority of local companies were reviewing their strategic plan once a year. A larger percentage of high-growth local companies (85%) reviewing their strategic plan annually than other local companies (51%) suggesting that they were more responsive to the environmental change than other local companies.

Constant monitoring and measuring of a company's progress against its formulated strategic plan are essential to operate in the Singapore business environment. This is because the smallness of the Singapore economy can be easily affected by the global economic changes. Unlike large foreign MNCs, local companies are comparatively more susceptible to, and constantly facing both the domestic and global environmental challenges. Their planning, therefore, has to take into consideration of the most relevant business conditions in order to perform effectively in this dynamic environment.

This study had also observed a typical planning behaviour of a small and medium-sized enterprise. One of the interesting findings reveals that

local companies did not hold their planner or external consultant responsible for strategic planning. This implies that they did not have them involve in, or see them as central to the strategic planning process. Unlike large foreign MNCs, local companies often do not employ a typical corporate planner to plan merely for the organisation. This is probably attributable to the size of a local company that does not justify for the need of a typical corporate planner. Planner, in this study, was perhaps more dedicated to facilitate the company's planning activities or the day-to-day implementation tasks.

Similarly, despite the fact that many advantages of using external consultants have been described in the literature (Lorange, 1980; Carroll, 1985), most local companies do not seem to fully exploit these advantages or having them involved in the upper purpose of planning (Turner, 1982). This is perhaps attributable to the dominant role of the CEO/owner who often takes the role of a strategist, and is wholly involved in and responsible for strategic planning. Indeed, this study found that strategic planning in local companies only involved a few individuals at the top management strata.

This study argues that the government could play an influential role in encouraging local companies to utilise the expertise of external consultants



to help them modernise and upgrade their planning system and implementation. External consultants, typically, would have a much more direct experience of strategy problems than executive in a company who also have a wide variety of other tasks to cope with. By opening up their business for external consultation, local companies could also benefit from its administrative and operational assistance. Consequently, the management of local companies would have more time to formulate a well-conceived strategy, together with external consultants, to enhance the effectiveness and performance of their business.

At the time of conducting this research, however, it was realised that one of the government initiatives; namely, the Local Enterprises Technical Assistance Scheme [LETAS], which was developed to defray part of the cost of engaging external consultants, was only utilised by a handful of local companies. It was found that only 33% of high-growth local companies and 26% of other local companies that participated in the survey had utilised the initiative. This initiative, therefore, could be extended to more local companies so that they can be persuaded to utilise the services of external consultants, and to realise the benefits that could bring forth to them.



This study agrees with the literature that even if a company does not have the knowledge or sufficient information to carry out strategic planning, their interest could be stimulated by external consultants' initial efforts to gather and use more information on subsequent occasions (Orpen, 1989). This might improve their chance of success in strategic planning in the future (Macmillan, 1975; Kirk and Schell, 1990). External consultants, subsequently, can help company in improving its overall planning process and serving as catalysts to its successful completion (Orpen, 1993). They can be also helpful in promoting change or stimulating unforeseen changes that is required (Lorange, 1980; Carroll, 1985; Ginsberg, 1989).

Incidentally, this study found that the strategic planning approach of high-growth local companies had involved feedback from their employees when making corporate decisions. The absence of employees' participation in other local companies reflects their more directive leadership style. This study agrees with the literature that the management of smaller companies are usually more reluctant in granting or delegating decision-making freedom to their subordinates (Goffee and Scase, 1985). In most cases, the CEO/owner would retain his own authority and personally involve in seeking business opportunities in accordance to his objectives.

This study, however, argues that participation from employees is crucial if a realistic strategic planning is to be proposed, evaluated and implemented effectively to realise its contributions to the overall firm performance. The reason being that a greater participation from employees would improve their commitment to both the strategic planning process and the ultimate strategic plan. As the employees' ideas, views and opinions can be distilled as part of the strategic plan, they are likely to strive much harder for the plan to be realised. Ideally, employees should feel that they have a role to play in shaping the corporate future, as such an involvement would make the employees feel strongly identified with the organisation. With the evolution of time, shared values or philosophy are also likely to emerge. This study argues that organisations with a favourable planning climate and a wide participation in strategic planning, such as a rich exchange of ideas, sharing of experiences and extensive tapping of experience-based expertise, are more likely to sustain the effective practices of strategic planning than those that do not.

Finally, this study affirms with the literature the important role of the CEO/owner in strategic planning (Daniel, 1992). It agrees with the literature

that the personal aspiration and value of the CEO/owner are often indistinguishable from the goals of a company (O'Farrell and Hitchins, 1988; Daniel, 1992; Mintzberg, 1982). In fact, the CEO/owner's influence can be to such an extent that the strategy of a company is the by-product of his vision and aspiration. This study found that the CEO/owner of local companies had taken the dominant role of being a strategist. He was wholly involved in, and responsible for strategic planning. His involvement in planning can be considered as 'centrifugal' in the sense that it would attract an active participation of his staff across the different levels in an organisational hierarchy to participate in it. The ability of an organisation to comprehend and make appropriate use of sophisticated strategic management practices, therefore, is the function of the CEO/owner's quality and attitude towards strategic planning.



## 7.5 SUMMARY

In summary, the results of this study support all, except for one, of the research hypotheses. The comparison of the research hypotheses with the actual findings is tabulated in Table 7. Based on the analytical results, this study found that the extent of utilising government initiatives had possessed a more significant influence on other local companies' strategic planning process than on high-growth local companies. It, therefore, does not support the first hypothesis.

This study, however, supports the second hypothesis. It found that the extent of servicing foreign MNCs had possessed a more significant influence on high-growth local companies' strategic planning process than on other local companies. The more the high-growth local companies were dependent on foreign MNCs, the more they had to formalise and integrate their strategic planning into foreign MNCs' planning system. High-growth local companies also had to rely on the (state-of-the-art) analytical techniques to formalise their strategic planning when servicing foreign MNCs. This study found that the assistance provided by foreign MNCs and the integration of local companies' strategic planning into foreign MNCs' planning system were instrumentals in forcing these companies to formalise their strategic planning



to a high level. Collaboration with foreign MNCs, therefore, required stringent reporting relationships on the part of local companies.

This study also supports the third hypothesis, which argues that the extent of internationalisation has a more significant influence on high-growth local companies' strategic planning process than on other local companies. It found that high-growth local companies had invested their business more extensively in overseas and adopted a more aggressive international strategy than other local companies. The more the high-growth local companies invested their business overseas, the more they had to formalise their strategic planning extensively and thoroughly. In contrast, the extent of internationalisation did not possess any significant influence on the strategic planning process of other local companies.

Finally, this study supports the fourth hypothesis, which argues that high-growth local companies engaged in a more formal and rigorous strategic planning process than other local companies in their business operations. In comparison, this study found that high-growth local companies had carried out their strategic planning more systematically in a rational manner than other local companies. They had also more relied on the

(state-of-the-art) analytical techniques and management information system than other local companies. Furthermore, they had also placed more emphasis on gathering and analysing quantitative information and seeking feedback from their employees when making corporate decisions.

This study argues that the difference in the extent of planning between high-growth local companies and other local companies could be attributable to different external involvement and intervention in their strategic planning process. On one hand, high-growth local companies were more influenced by foreign MNCs and internationalisation, whereas on the other, other local companies were more influenced by the government. Table 7 has summarised the above discussions. It compares the research hypotheses with the actual findings of this study.

**Table 7**  
**Comparison of the research hypotheses**  
**with the actual findings**

Research hypotheses	Actual findings
1. The extent of utilising government initiatives has a more significant influence on high-growth local companies' strategic planning process than on other local companies.	1. <u>Not supported</u> in the findings. In contrast, other local companies were more influenced by the extent of utilising government initiatives.
2. The extent of servicing foreign MNCs has a more significant influence on high-growth local companies' strategic planning process than on other local companies.	2. <u>Supported</u> in the findings. High-growth local companies were more influenced by the extent of servicing foreign MNCs.
3. The extent of internationalisation has a more significant influence on high-growth local companies' strategic planning process than on other local companies.	3. <u>Supported</u> in the findings. High-growth local companies were more influenced by the extent of internationalisation.
4. High-growth local companies carry out more formal and rigorous strategic planning than other local companies.	4. <u>Supported</u> in the findings. High-growth local companies had carried out more formal and rigorous strategic planning than other local companies.

# CHAPTER 8

## Conclusion

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This chapter presents the conclusion of this research. It also highlights its limitations and provides directions for further, and perhaps, more definitive research. In writing this thesis, the author hopes that other researchers would attempt to replicate a similar study or extend this study in the United States [U.S.] and United Kingdom [U.K.]. The author also hopes that subsequent studies would overcome the limitations of this research. Although this research did not literally settle everything, the issues, which had been discovered, are worth the attention of other researchers. Finally, this study has set a framework for a similar future research, which can be carried out either in the same local context or in countries that have a similar economic setting as Singapore to compare the conclusion of this research.



## **8.1 CONCLUSION OF THIS RESEARCH**

From this research, several conclusions pertaining to the effect of external influences on local companies' strategic planning process can be drawn. These conclusions contribute to the strategic management theory and the literature. First, this study concludes that the description of strategic planning behaviour of smaller companies in the literature may not apply in all situations (STRATOS group, 1990; Golde, 1964). In the case of Singapore, for example, as a result of external influences, local companies had engaged in a formal strategic planning process. While other local companies were influenced by the utilisation of government initiatives, high-growth local companies were influenced by the extent of servicing foreign MNCs and internationalisation. This study concludes that, as a result of the external influences, local companies are more likely to engage in a formal strategic planning process than the conventional Western literature and models would indicate.

This study also concludes that the formal strategic planning practices in Singapore had drawn heavily on the Western strategic management theory and the literature. It found that local companies that engaged in a formal strategic planning process had utilised the classical strategic planning model

to formalise their strategic planning. This study, therefore, argues that future research on smaller companies' strategic planning behaviours, on the international basis, has to take into consideration of the host country's business settings and its economic development in order to determine the strategic planning behaviour of its local companies.

Second, this study sees the need to encourage more local companies to formulate a mission statement since it is important and fundamental to its survival and business growth. This study recommends that other local companies could follow the footpath of high-growth local companies to formulate a well concise mission statement to guide the company along the path of its success. This study reveals that a lesser number of other local companies (54%) had possessed a mission statement than high-growth local companies (70%). Without a mission statement, this study argues that company may wonder aimlessly in the marketplace with no ideas of where to go or how to get there. Although the CEO/owner of local companies often claim that he knows the company's direction, however, without conceptualising his thoughts formally, his staff may not know it. In fact, the literature argues that most staff in a company often has a strong desire to know where the business is going and how their efforts could contribute to

making the business a success (Stoner and Fry, 1987). Being smaller in firm size when compared to high-growth local companies, other local companies having more proactive employees would make a difference between a business success and failure.

Third, this study sees the need for the strategic management theorists to develop a more flexible and user friendly strategic planning models for smaller companies. This study reveals that local companies tend to revise their strategic planning annually. Presently, only a few 'recent' strategic planning models in the literature were found suitable for local companies (Stone and Fry, 1987; Napuk, 1993). While developing these models, theorists could keep in mind that small business is not a "little big business". On one hand, smaller companies are closer to their environment and operational activities, and have a more precise task environment when compared to large corporations. On the other hand, they often have to confine their strategies and focus on more specific opportunities where they have sufficient resources to compete effectively. The strategic planning models designed for smaller companies, therefore, have to take into consideration of their task situations. This study concludes that local companies are not reluctant to use the classical strategic planning model as

the survey shows that this model was found favourable and well accepted by them.

Fourth, this study affirms with the literature, the important role of the CEO/owner in strategic planning (Daniel, 1992). It reveals that the CEO/managing director of local companies was wholly responsible for, and involved in strategic planning. This study, therefore, argues that the commitment and support of the CEO/managing director in strategic planning are crucial, and would lead to a successful implementation of a formal strategic planning system in a company. This study also agrees with the literature that employees' participation in strategic planning is both critical and important (Stoner and Fry, 1987). The CEO/owner, therefore, has an important role to play in encouraging his staff, across different levels in an organisational hierarchy, to participate in the strategic planning process. This is to ensure that a more realistic strategy can be proposed, evaluated and implemented effectively to realise its contribution to the company's performance.

Fifth, this study recommends that local companies could seek help from external consultants to facilitate their strategic planning process.



Although the CEO/owner often takes the role of a strategist, external consultants can be helpful in providing administrative and operating assistance. This would save the CEO/owner more time for planning, and to formulate, together with these consultants, a well-conceived strategy. External consultants could be also helpful in stimulating realignment or change in an organisation, and bringing in new techniques, new ways of thinking and new insights which are not at the disposal of local companies. Their involvement could also make up for top management's deficiencies, especially, in the areas of strategic thinking and implementation. This study found that the advantages of using external consultants were not fully exploited by local companies. They did not see them as central to the strategic planning process. The government and the strategic management theorists, therefore, have a role to play in encouraging local companies to utilise the services of external consultants, as their initial effort could lead them to start planning, if not, to facilitate and improve their strategic planning process.

Sixth, this study concludes that the government plays an important role in leading other local companies. The government initiatives, therefore, could be extended and catered to more companies in this group as the

analysis shows that the extent of utilising government initiatives had a more significant influence on their strategic planning process than on high-growth local companies. Presently, the provision of government initiatives is lopsided in that it is only targeted mainly at some selected groups of local companies. Unfortunately, other local companies, which are more in need of government's supports, are not sufficiently supported.

Seventh, this study concludes that foreign MNCs play a significant role in local enterprise development. Their involvement had influenced local companies to formalise their strategic planning. This study reveals that, the more local companies involved in foreign MNCs' activities, the more they were assisted and required to integrate their strategic planning into foreign MNCs' planning system. Unfortunately, other local companies were less dependent on foreign MNCs in their business activities than high-growth local companies. This could be attributable to their limited capacity and capabilities. The government, therefore, could help other local companies, through various initiatives, to involve more extensively in the foreign MNCs' activities.

Finally, this study concludes that strategic planning is essential prior to internationalisation. Unfortunately, this study found that other local companies did not plan extensively when they venturing abroad. The government, therefore, plays an important role in advising other local companies to plan extensively besides merely encouraging local companies to internationalise. Specific government initiatives could be designed and developed to assist other local companies to develop a well-conceived strategic planning as it is only through this planning process that they could establish a clear sense of strategic direction and to choose the best partner and network to operate in.

## **8.2 LIMITATIONS OF THIS RESEARCH**

While this study has achieved the overall research objectives, there are several limitations associated with the study. The first limitation relates to the method of collecting primary data. The limitations of using the survey method had been discussed in chapter 5 of this thesis. The validation of data collected and its ability to represent the population of other local companies



in Singapore could be affected by its response rate. Although the response rate of high-growth local companies was considerably high (42.5%), in the case of other local companies, however, the response rate was merely satisfactory (15%). Moreover, the selection of other local companies for the research was only taken for the Association of Small and Medium-sized Enterprises [ASME] company listing which could be an isolated case. The number of companies in, and the nature of the second sample, therefore, might not be valid and adequate to represent other local companies in Singapore.

The second limitation is due to self-selecting sampling error. Despite the fact that the two research samples had been selected cautiously and randomly, only those companies motivated to respond to the survey were heard from. Such self-selecting sample may not represent the actual population. In other words, the survey results obtained from the self-selecting sample may not represent the targeted population. As a result, there could be some possibilities of research biases in interpreting the analysed results that could lead to unsatisfactory conclusion.



The third limitation is due to the approach of collecting primary data. The acquisition of primary data in this study was only taken from one participant; that is, the CEO/managing director of a local company. Although the CEO/managing director is often associated with strategy formulation and implementation, and therefore, the best individual to describe the company's strategic planning process, this approach could result in the loss of other data which could have been acquired and supplied by other persons in the same company.

The last limitation of this study concerns causality. Correlation in the analysis in this study may not necessarily reflect the causation of two or more variables. Reciprocal causation could be a possibility. Due to limited time factor, this study did not examine the reciprocal causation. This study also did not examine other factors that may influence the strategic planning process of local companies.

### **8.3 SUGGESTIONS FOR FURTHER RESEARCH**

Further research could be extended to carry out a similar study and compare the strategic planning behaviours between high-growth local companies and other local companies in the same industry sector. The focus on a specific industry sector would enable more extensive and thorough analysis to be carried out, in particular, with regard to the extent of external influences on local companies' strategic planning process. Future research could also replicate this study by using larger samples. Comparison of strategic planning behaviours between local companies and their counterparts in other countries of a similar economic setting could be fruitful future research revenue. Other aspects of formal strategic planning that were not considered in this study could be carried out in future research and analysed using a similar comparative method. Lastly, since local enterprise development efforts are expected to continue to nurture local companies so that they can take on new and enhanced roles to boost up the Singapore economy, further research could continue to examine the significance of their contributions and the key success factors of high-growth local companies.

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# Appendices

Dear Sir/Madam,

**STRATEGIC PLANNING IN LOCAL COMPANIES**

The entrepreneur is of crucial importance to the economic development of Singapore. Entrepreneurs like you have made Singapore a success. We therefore seek your assistance with our study on strategic planning in local companies by completing the enclosed questionnaire.

We realise that you have a busy schedule. The completion of questionnaire should take under 10 minutes. We are not seeking any proprietary information. The confidentiality of the data supplied will be maintained. Kindly return the completed questionnaire by 15<sup>th</sup> January 1998 in the self addressed envelop which is enclosed.

This study on strategic planning can be useful to you and your business. If you will like to receive a copy of the executive report of the study, kindly enclose your name card. Thanking you for your response to the questionnaire.

Yours Sincerely,

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Lee Ngo Hock



Dear Sir/Madam,

**STRATEGIC PLANNING IN LOCAL COMPANIES**

Your company was publicly recognised as being the top-50 enterprises in Singapore. This distinction makes your company special to our study because your company was among the few local companies that were acknowledged for excellence from among many others.

We are writing again because we did not hear from you since our last correspondence. We recognise that you have a busy schedule, and may be out of town when we first wrote. For your convenience, we are enclosing another copy of the questionnaire for your use. The completion of the questionnaire should take about 10 minutes.

Please be assured that we are not seeking any proprietary information. The confidentiality of the data supplied will be maintained. Your response is invaluable to our study. Kindly return the completed questionnaire by 8<sup>th</sup> February 1998 in the self addressed envelop which is enclosed.

Thanking you for your response to the questionnaire.

Yours Sincerely,

---

Lee Ngo Hock

<b>SECTION A    General Information</b>
---

"Please be assured that the identities of individuals or companies participating in the study would be held in the strictest confidence"

(Please attached your Name Card so that we could send you a copy of executive report of the survey)

YOUR NAME : \_\_\_\_\_ DESIGNATION: \_\_\_\_\_ YEARS OF SERVICE: \_\_\_\_\_

COMPANY NAME : \_\_\_\_\_ TEL: \_\_\_\_\_ FAX: \_\_\_\_\_

**A1. Please tick the industry that represents your company's core business:**

- |                          |   |                                |                   |
|--------------------------|---|--------------------------------|-------------------|
| 1. Agriculture & Fishing | 4. Transportation, Logistic & Warehousing | 7. Trading                     | 10. Manufacturing |
| 2. Real Estate           | 5. Business/Engrg Services                | 8. Restaurants & Eating Places | 11. Others: _____ |
| 3. Construction          | 6. Financial Services                     | 9. Hotel & Lodging             |                   |

**A2. Briefly describe your company's core business:**

---



---

**A3. Please indicate your company's size in terms of:**

- |                              |                 |                        |                  |
|------------------------------|-----------------|------------------------|------------------|
| 1. Fixed assets:             | < S\$6 million  | S\$6 to S\$12 million  | > S\$12 million  |
| 2. Number of employees:      | < 50            | 50 to 200              | > 200            |
| 3. Last year sales turnover: | < S\$50 million | S\$50 to \$200 million | > S\$200 million |

**A4. Please indicate the number of years your company has been in the core business:**

- |           |               |            |
|-----------|---------------|------------|
| < 5 years | 5 to 10 years | > 10 years |
|-----------|---------------|------------|

**A5. Please indicate the type of business organisation of your company:**

- |                |                    |                  |
|----------------|--------------------|------------------|
| 1. Partnership | 3. Private Limited | 5. Joint Venture |
| 2. Subsidiary  | 4. Public Listed   | 6. Others: _____ |

**A6. What percentage of your company's sales is generated from overseas markets (i.e. export)?**

- |            |       |            |            |      |
|------------|-------|------------|------------|------|
| Not at all | < 25% | 25% to 49% | 50% to 75% | >75% |
|------------|-------|------------|------------|------|

**A7. What percentage of your company's investment (as a whole) is overseas?**

- |            |        |             |             |      |
|------------|--------|-------------|-------------|------|
| Not at all | < 25 % | 25% to 49 % | 50% to 75 % | >75% |
|------------|--------|-------------|-------------|------|

**A8. Your company's preferred mode of entry into overseas market (if applicable) takes the form of:**

- |                   |                      |                |                    |
|-------------------|----------------------|----------------|--------------------|
| 1. Not applicable | 3. Joint venture     | 5. Subsidiary  | 7. Distributorship |
| 2. Licensing      | 4. Direct investment | 6. Franchising | 8. Others: _____   |

**A9. Please indicate the countries in which your company has investments:**

- |                   |                |              |                 |                              |
|-------------------|----------------|--------------|-----------------|------------------------------|
| 1. Malaysia       | 5. Laos        | 9. Hong Kong | 13. Australia   | 17. Africa                   |
| 2. Indonesia      | 6. Philippines | 10. Taiwan   | 14. New Zealand | 18. N. American              |
| 3. Thailand       | 7. Cambodia    | 11. China    | 15. India       | 19. S. American              |
| 4. Vietnam        | 8. Myanmar     | 12. Japan    | 16. Europe      | 20. Nil.                     |
|                   |                |              |                 | (i.e. Singapore market only) |
| 21. Others: _____ |                |              |                 |                              |

<b>SECTION B Strategic Planning System and Processes</b>
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"We define strategy as a long-term course of action (at least 3 to 5 years) a company pursues to achieve its objectives. It is a stream of actions or decisions that decide the future direction of company in today complex business environment"  
(Please circle or tick (•) the answers that best describe your views of each on the following aspects of your company)

**B1. Does your company have a planning department or staff dedicated to undertake company's planning activities?**

Yes No

**B2. Your company has an explicit (i.e. written) statement of its mission and goals?**

Yes No

**B3. To what extent does your company carry out planning in the following activities?**

Not at all A great deal

- |                         | 1 | 2 | 3 | 4 | 5 |
|-------------------------|---|---|---|---|---|
| 1. Finance              | 1 | 2 | 3 | 4 | 5 |
| 2. Operation            | 1 | 2 | 3 | 4 | 5 |
| 3. Marketing            | 1 | 2 | 3 | 4 | 5 |
| 4. Corporate strategies | 1 | 2 | 3 | 4 | 5 |

**B4. To what extent does your company produce written documents in the following planning activities?**

- |                             | 1 | 2 | 3 | 4 | 5 |
|-----------------------------|---|---|---|---|---|
| 1. Financial plan           | 1 | 2 | 3 | 4 | 5 |
| 2. Operational plan         | 1 | 2 | 3 | 4 | 5 |
| 3. Marketing plan           | 1 | 2 | 3 | 4 | 5 |
| 4. Corporate strategic plan | 1 | 2 | 3 | 4 | 5 |

**B5. To what extent are the following people responsible for formulating the corporate strategic plan?**

- |                          | 1 | 2 | 3 | 4 | 5 |
|--------------------------|---|---|---|---|---|
| 1. Planner               | 1 | 2 | 3 | 4 | 5 |
| 2. CEO/Managing Director | 1 | 2 | 3 | 4 | 5 |
| 3. Business Consultants  | 1 | 2 | 3 | 4 | 5 |
| 4. Departmental Managers | 1 | 2 | 3 | 4 | 5 |
| 5. Others: _____         | 1 | 2 | 3 | 4 | 5 |



**B6. How often is corporate strategic planning being carried out or revised in your company?**

Once a year      Once every 2-3 years      Once every 4-6 years      One-time plan      Others: \_\_\_\_\_

**B7. To what extent does your company,**

Not at all

A great deal

- |   | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. pursue corporate strategic decisions <u>systematically</u> in a rational manner?   | 1 | 2 | 3 | 4 | 5 |
| 2. resolve corporate strategic issues by doing <u>extensive</u> and <u>thorough</u> analyses?   | 1 | 2 | 3 | 4 | 5 |
| 3. rely on (state-of-the-art) <u>analytical techniques</u> in making corporate strategic decisions?                                   | 1 | 2 | 3 | 4 | 5 |
| 4. use <u>management information systems</u> in making corporate strategic decisions?   | 1 | 2 | 3 | 4 | 5 |
| 5. place emphasis on gathering and analysing <u>quantitative</u> data/information in making corporate strategic decisions?            | 1 | 2 | 3 | 4 | 5 |
| 6. place emphasis on gathering <u>feedback</u> from employees when making corporate decisions?  | 1 | 2 | 3 | 4 | 5 |
| 7. have <u>insufficient information</u> on many occasions but must make corporate strategic decisions based on "gut-feeling".         | 1 | 2 | 3 | 4 | 5 |
| 8. resolve corporate strategic decisions through <u>iterative process</u> which encompasses experimentation and subsequent reviewing? | 1 | 2 | 3 | 4 | 5 |
| 9. only rely on <u>past experience</u> in making corporate strategic decisions?   | 1 | 2 | 3 | 4 | 5 |

**B8. Please rank the following objectives which your company considers it important in making corporate strategic decisions? (Please rank them from 1 = most important, to 7 = least important of the objectives)**

- |   | Rank    |                                 | Rank    |
|---|---------|---------------------------------|---------|
| • increasing Co.'s net profit           | : _____ | • increasing Co.'s market share | : _____ |
| • increasing Co.'s return of investment | : _____ | • improving Co.'s reputation    | : _____ |
| • sustaining Co.'s business             | : _____ | • increasing Co.'s growth       | : _____ |
| • others                                | : _____ |                                 |         |

**B9. If your company does not carry out formal strategic planning, to what extent do the following constraints prevent you or your company from doing so?**

- |                                | Not at all |   | A great deal |   |   |
|--------------------------------|------------|---|--------------|---|---|
|                                | 1          | 2 | 3            | 4 | 5 |
| 1. Availability of time        | 1          | 2 | 3            | 4 | 5 |
| 2. Availability of information | 1          | 2 | 3            | 4 | 5 |
| 3. Lack of skill/knowledge     | 1          | 2 | 3            | 4 | 5 |
| 4. Business uncertainty        | 1          | 2 | 3            | 4 | 5 |
| 5. Business complexity         | 1          | 2 | 3            | 4 | 5 |
| 6. Others: _____               | 1          | 2 | 3            | 4 | 5 |



<b>SECTION C External Influences</b>
--------------------------------------

**C1. Singapore government has put in place a number of initiatives (assistance schemes) to nurture and help local SMEs to grow. Please indicate your company's experience with the following initiatives.**

<u>Name of programmes</u>	<u>Is your Co. aware of it?</u>	<u>Is it relevant to Co.'s business?</u>	<u>Is your Co. utilising it?</u>	<u>Is Co. planning to utilise it?</u>
1. Total Business Plan	Yes / No	Yes / No	Yes / No	Yes / No
2. Local Enterprise Technical Assistance Scheme	Yes / No	Yes / No	Yes / No	Yes / No
3. Local Industry Upgrading Programme	Yes / No	Yes / No	Yes / No	Yes / No
4. Local Enterprise Computerisation Programme	Yes / No	Yes / No	Yes / No	Yes / No
5. ISO 9000 Certification Scheme	Yes / No	Yes / No	Yes / No	Yes / No
6. Franchise Development Assistance Programme	Yes / No	Yes / No	Yes / No	Yes / No
7. Automation Leasing Scheme	Yes / No	Yes / No	Yes / No	Yes / No
8. Local Enterprise Finance Scheme	Yes / No	Yes / No	Yes / No	Yes / No
9. Market/investment Development Assistance Scheme	Yes / No	Yes / No	Yes / No	Yes / No
10. Skills Development Fund	Yes / No	Yes / No	Yes / No	Yes / No
11. Others: _____	Yes / No	Yes / No	Yes / No	Yes / No
_____	Yes / No	Yes / No	Yes / No	Yes / No
_____	Yes / No	Yes / No	Yes / No	Yes / No

**C2. If your company has utilised any of the government initiatives, please respond to the following questions:**

	Not at all			A great deal	
1. To what extent has your company benefited from the government initiatives?	1	2	3	4	5
2. To what extent did the utilisation of government initiatives force your company to re-examine and restructure the business?	1	2	3	4	5
3. Did the utilisation of government initiatives require your company to prepare a <u>formal</u> strategic plan?	1	2	3	4	5
4. Did the utilisation of government initiatives require your company to seek professional assistance <u>outside</u> your organisation?	1	2	3	4	5
5. Did the utilisation of government initiatives require your company to enhance professional talent <u>within</u> the company?	1	2	3	4	5
6. Did the utilisation of government initiatives require your company to think strategically <u>within</u> the company?	1	2	3	4	5

**C3. If your company is serving Multinational Corporations (MNCs) or large local companies (e.g. Singapore Technologies, SingTel, SIA etc.), please respond to the following questions:**

1. To what extent is your company's business dependent on:
  - (a) Multinational Corporations (MNCs)?
 

Not at all	< 25%	25% to 49%	50% to 75%	>75%
------------	-------	------------	------------	------
  - (b) Large Local Companies (LLCs)?
 

Not at all	< 25%	25% to 49%	50% to 75%	>75%
------------	-------	------------	------------	------
2. What is your company's business relationship with the following companies:
  - (a) Multinational Corporations (MNCs)?
 

1. Subcontractor	2. OEM supplier	3. Distributor	4. Others: _____
------------------	-----------------	----------------	------------------
  - (b) Large Local Companies (LLCs)?
 

1. Subcontractor	2. OEM supplier	3. Distributor	4. Others: _____
------------------	-----------------	----------------	------------------
3. To what extent did serving the above companies force your company to re-examine and restructure the business?
 

	(Serving MNCs)					(Serving LLCs)				
	Not at all		A great deal			Not at all		A great deal		
	1	2	3	4	5	1	2	3	4	5
4. Did serving the above companies require your company to prepare a formal strategic plan?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---
5. To what extent did the above companies assist your company in:
  - (a) preparing the strategic plan?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---
  - (b) integrating your company's strategic plan into theirs?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---
6. Did serving the above companies require your company to seek professional assistance outside your organisation?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---
7. Did serving the above companies require your company to enhance professional talent within the company?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---
8. Did serving the above companies require your company to think strategically within the company?
 

	1	2	3	4	5	1	2	3	4	5
--	---	---	---	---	---	---	---	---	---	---

**C4. If your company has invested overseas, please respond to the following questions:**

1. To what extent has your company benefited from regionalisation?
 

	Not at all		A great deal		
	1	2	3	4	5
2. To what extent did regionalisation force your company to re-examine and restructure the business?
 

	1	2	3	4	5
--	---	---	---	---	---
3. Did regionalisation require your company to prepare a formal strategic plan?
 

	1	2	3	4	5
--	---	---	---	---	---
4. Did regionalisation require your company to seek professional assistance outside your organisation?
 

	1	2	3	4	5
--	---	---	---	---	---
5. Did regionalisation require your company to enhance professional talent within the company?
 

	1	2	3	4	5
--	---	---	---	---	---
6. Did regionalisation require your company to think strategically within the company?
 

	1	2	3	4
--	---	---	---	---

**"THANK YOU FOR YOUR QUALITY TIME"**