

**SUSTAINABLE ENTREPRENEURSHIP PROJECT**

# Strategic Planning: A Global Survey of Theory and Research

**SUSTAINABLE ENTREPRENEURSHIP PROJECT  
RESEARCH PAPER SERIES**

Dr. Alan S. Gutterman  
August 2017

## **Strategic Planning: A Global Survey of Theory and Research**

Published by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)) and copyrighted © August 2017 by Alan S. Gutterman.

All the rights of a copyright owner in this Work are reserved and retained by Alan S. Gutterman; however, the copyright owner grants the public the non-exclusive right to copy, distribute, or display the Work under a Creative Commons Attribution-NonCommercial-ShareAlike (CC BY-NC-SA) 4.0 License, as more fully described at <http://creativecommons.org/licenses/by-nc-sa/4.0/legalcode>.

### **About the Project**

The Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change.

### **About the Author**

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project and the Founding Director of the Business Counselor Institute ([www.businesscounselorinstitute.org](http://www.businesscounselorinstitute.org)), which distributes Dr. Gutterman's widely-recognized portfolio of timely and practical legal and business information for attorneys, other professionals and executives in the form of books, online content, webinars, videos, podcasts, newsletters and training programs. Dr. Gutterman has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Dr. Gutterman, his publications, the Sustainable Entrepreneurship Project or the Business Counselor Institute, please contact him directly at [alanguutterman@gmail.com](mailto:alanguutterman@gmail.com).

**Strategic Planning:  
A Library of Resources for Sustainable Entrepreneurs  
Contents**

PART I      STRATEGIC PLANNING

Chapter 1      Introduction to Strategic Planning

Chapter 2      Environmental Forces and Strategic Planning

Chapter 3      Strategic Planning Processes

Chapter 4      Business Plan Preparation

The Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)) also prepares and distributes other Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change.

## §1:1 Introduction

Strategic planning is a process of carefully and thoughtfully aligning the strengths of a company's business to the opportunities that are available to the company in its chosen business environment. While strategic planning is both a science and an art, it is generally believed that in order for the planning process to be effective on a consistent basis the managers of the company must collect, screen and analyze information about the company's business environment, identify and evaluate the strengths and weaknesses of the company and develop a clear mission for the company and a set of achievable goals and objectives that then become the basis for tactical and operational plans. Strategic planning is an important and essential process for every company regardless of the size of its business and the time and other resources that the company has available to invest in the developing, documenting, implementing and monitoring a strategic plan. The business environment and relevant technologies are constantly changing and new risks and uncertainties will surface on a regular basis.<sup>1</sup>

Researchers have found indications that the relationship between strategic planning and firm performance may be mitigated to some degree by contextual factors relating to the firm including, among other things, societal culture.<sup>2</sup> A number of researchers have argued that societal culture does have an impact on organizational processes relating to planning and decision making and on perceptions of strategic strengths and weaknesses.<sup>3</sup> Hoffman believed that there were several different ways that societal culture might influence the strategic planning process.<sup>4</sup> First of all, since culture shapes the way that people within an organization think, behave and evaluate it is reasonable to assume that culture would influence the processes used to make plans and the decisions that form the

<sup>1</sup> For further discussion of strategic planning, see "Strategic Planning: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>2</sup> P. Brews and M. Hunt, "Learning to plan and planning to learn: Resolving the planning school/learning school debate", *Strategic Management Journal*, 20(10) (1999), 889-913; C. Miller and L. Cardinal, "Strategic planning and firm performance: A synthesis of more than two decades of research", *Academy of Management Journal*, 37(6) (1994), 1649-1665; and I. Goll and A. Rasheed, "Rational decision-making and firm performance: The moderating role of environment", *Strategic Management Journal*, 18(7) (1997), 583-591. Other relevant contextual factors relating to firms include the size of the firm, the size and type of industry, the rate of environmental change or "turbulence", and the type of strategy adopted by the firm.

<sup>3</sup> P. Haiss, *Cultural Influences on Strategic Planning* (1990); D. Brock, D. Barry and D. Thomas, "Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture", *International Business Reviews*, 9(6) (2000), 678; G. Hofstede, *Culture's Consequences* (2nd Ed.) (2001); R. Hoffman and W. Hegarty, "Top Management Influence on Innovations: The Effects of Executive Characteristics and Social Culture", *Journal of Management*, 19(3) (1993), 549; S. Schneider and A. De Meyer, "Interpreting and Responding to Strategic Issues: The Impact of National Culture", *Strategic Management Journal*, 12(4) (1991), 307; and R. Hoffman, "The Strategic Planning Process and Performance Relationship: Does Culture Matter?", *Journal of Business Strategies*, 24(1) (2007), 27.

<sup>4</sup> R. Hoffman, "The Strategic Planning Process and Performance Relationship: Does Culture Matter?", *Journal of Business Strategies*, 24(1) (2007), 27 (citing D. Brock, D. Barry and D. Thomas, "Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture", *International Business Reviews*, 9(6) (2000), 687).

foundation for those plans.<sup>5</sup> Second, variations among culture with respect to critical values and beliefs can be expected to have an impact on a variety of management processes including strategic planning.

Research has been carried out on the relationship of strategic planning to all of the most widely recognized dimensions of societal culture. With respect to uncertainty avoidance Hoffman observed that the attitudes of individuals in different societies regarding their ability to “control” their environment are likely to influence their perceptions regarding value and effectiveness of strategic planning. For example, researchers who had examined managerial practices among managers from different cultural clusters had found that in those cultures that perceived a greater control over their environments and where there was a higher tolerance for ambiguity firms tended to “use a more rational/analytical, top down approach to strategy making”.<sup>6</sup> In contrast, managers operating in societal cultures where it was believed that individuals had less control over their environment, and where high uncertainty avoidance prevailed, were predicted to take a “less methodical approach” to strategic planning and decision making. Other researchers have argued that high uncertainty avoidance leads to increased planning activity, a higher perceived importance of planning and a longer planning time horizon while firms operating in low uncertainty avoidance cultures prefer to use more flexible, short-term planning processes.<sup>7</sup>

Hofstede observed that the manner in which the strategic planning process is structured is likely to be influenced by the level of power distance in the societal culture.<sup>8</sup> In that regard, Brock et al. concluded that a top-down highly structured planning approach will be preferred in high power distance cultures.<sup>9</sup> Nauheimer hypothesized that in countries such as the US where power distance was low and democratic values in the workplace were celebrated, planning would be more dynamic with greater communication flow and active inputs from employees at the divisional level. In contrast, in countries where power distance was higher and people accepted orders from managers and were extremely uncomfortable challenging those orders, Nauheimer expected that strategic planning would be very transparent albeit smooth.<sup>10</sup> Another study concluded that managers were more likely to tap into the experience of subordinates and allow them to participate in decisions when the societal cultural values included egalitarianism and low power distance; however, supervisorial authority and formal rules played much bigger

<sup>5</sup> Id. (citing S. Schneider and J. Barsoux, *Managing Across Cultures* (2nd Ed.) (2003); and G. Hofstede, *Culture's Consequences* (2nd Ed.) (2001)).

<sup>6</sup> Id. (citing S. Schneider and J. Barsoux, *Managing Across Cultures* (2nd Ed.) (2003)).

<sup>7</sup> G. Hofstede, *Culture's Consequences* (2nd Ed.) (2001); P. Haiss, *Cultural Influences on Strategic Planning* (1990); and D. Brock, D. Barry and D. Thomas, “Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture”, *International Business Reviews*, 9(6) (2000), 687.

<sup>8</sup> G. Hofstede, *Culture's Consequences* (2nd Ed.) (2001).

<sup>9</sup> D. Brock, D. Barry and D. Thomas, “Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture”, *International Business Reviews*, 9(6) (2000), 687.

<sup>10</sup> M. Nauheimer, *On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives and Evidence* (2009), [http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/\\$FILE/dis3429.pdf](http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/$FILE/dis3429.pdf)

roles in the making of decisions—and subordinate participation was minimal or non-existent—in societies characterized by hierarchy and power distance.<sup>11</sup>

Brock et al. observed that there is more variety and flexibility in the planning processes used in individualistic cultures while cooperation and conformity to the same process is expected when planning is conducted in collectivist cultures.<sup>12</sup> According to Steensma et al., tight, structured planning processes are preferred in competitive, masculine culture because they are more likely to achieve desired results.<sup>13</sup> In turn, flexible and bottom-up planning processes are more popular in feminine cultures.<sup>14</sup> Nauheimer suggested that differences among societies with respect to masculinity and femininity might come into play when disagreements arose during the planning process.<sup>15</sup> Finally, variations between societies with regard to their long term orientation might be expected to influence the length of planning horizons.<sup>16</sup>

In general, firms in developing countries lag behind their counterparts in the developed world with respect to the amount and formality of strategic planning; however, researchers have argued that various contingencies may influence the speed with which firms embrace strategic planning including environmental turbulence, organizational structure, firm size, the form of ownership and control of the business and the degree of interest in making changes to operations and increasing business flexibility.<sup>17</sup> For example, Anchor and Dehayyat have noted that as Jordanian companies were being privatized Jordan experienced significantly higher levels of inbound foreign direct investment which, among other things, provided opportunities for the entry and diffusion of management ideas and practices from developed countries including strategic planning.<sup>18</sup> The result of all this was that Anchor and Dehayyat found “considerable

<sup>11</sup> P. Smith, M. Peterson, S. Schwartz, A. Ahmad, D. Akande, J. Andersen et al., “Cultural Values, Sources of Guidance and Their Relevance to Managerial Behavior—A 47-Nation Study”, *Journal of Cross-Cultural Psychology*, 33(2) (2002), 188. See also B. Suple and S. Debarliev, “Strategic Planning Effectiveness: Comparative Analysis of the Macedonian Context”, *Economic and Business Review*, 14(1) (2012), 63, 85 (results from studies of developing countries appeared to indicate that participation by larger numbers of managers at lower levels of the organizational hierarchy is likely to increase as the level of power distance in the societal culture declines).

<sup>12</sup> D. Brock, D. Barry and D. Thomas, “Your forward is our reverse, your right, our wrong’: Rethinking multinational planning processes in light of national culture”, *International Business Reviews*, 9(6) (2000), 687.

<sup>13</sup> H. Steensma, L. Marino and R. Weaver, “Attitudes Toward Cooperative Strategies: A Cross-Cultural Analysis of Entrepreneurs”, *Journal of International Business Studies*, 31(4) (2000), 591.

<sup>14</sup> D. Brock, D. Barry and D. Thomas, “Your forward is our reverse, your right, our wrong’: Rethinking multinational planning processes in light of national culture”, *International Business Reviews*, 9(6) (2000), 687.

<sup>15</sup> M. Nauheimer, *On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives and Evidence* (2009), [http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/\\$FILE/dis3429.pdf](http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/$FILE/dis3429.pdf)

<sup>16</sup> Id.

<sup>17</sup> K. Glaister, O. Dincer, E. Tatoglu, M. Demirbag and S. Zaim, “A Causal Analysis of Formal Strategic Planning and Firm Performance Evidence From an Emerging Country”, *Management Decision*, 46(3) (2008), 365.

<sup>18</sup> J. Anchor and J. Dehayyat, *Organisational Characteristics and Strategic Planning in an Emerging Economy: The Case of Jordan* (2010), 6.

similarities between strategic planning practice in Jordan and those which have been found in earlier studies in developed economies” and they also noted that strategic planning probably was able to gain traction in Jordan because there were relatively few barriers to the dissemination of the knowledge elements of strategic planning practice, government attitudes were friendly toward the countries from which inbound investment was coming and many Jordanian managers had been educated and trained in the US, the UK and other developed countries.<sup>19</sup>

### **§1:2 United Kingdom**

In a cross-cultural comparative study of control practices that included British, German and French firms, Horowitz observed that most of the British firms that were included had been practicing some form of long-term planning for extensive periods—six years or more—and that many of those firms had established a separate and specialized department at the corporate level tasked with collecting and analyzing the strategic plans prepared by each of the individual subsidiaries.<sup>20</sup> Horowitz described the planning process in Britain as being “bottom-up”, meaning that it generally began with each managing director of the various subsidiaries preparing and submitting a five year plan to the corporate planning department around six months before the beginning of each new planning year. Each of the plans were discussed at the corporate level and comments and suggestions for revision are made to the subsidiaries so that their plans could be modified and submitted once again for inclusion into an “aggregate plan” for the entire group. Horowitz noted that the entire process involved a substantial number of people and extended over four to five months and was generally conducted in accordance with planning procedures laid out in a standard planning manual that specified the contents of each of the plans prepared and submitted by the subsidiaries. Plans were expected to be comprehensive and address not only strategic issues for the particular subsidiary but also detailed aspects of subsidiary operations.

### **§1:3 Germany**

Gorrill observed that Germans pay close attention to setting targets and measuring progress toward those targets through the use of precise timetables.<sup>21</sup> Horowitz studied planning practices among German firms and found that they did generally engage in some form of long-term planning using a “bottom-up” approach similar to British firms; however, Horowitz identified substantial differences between planning in Britain and Germany that could be explained in large part by the differences between those countries

<sup>19</sup> Id. at 21-22.

<sup>20</sup> J. Horowitz, “Management Control in France, Great Britain and Germany” in T. Weishall, *Societal culture and management* (New York: Walter de Gruyter, 1993), 445-454, 449. Horowitz noted that most of the British companies in his sample were “holding companies” with small central office staffs and large numbers of subsidiaries, each of which were headed by their own managing director and had responsibility for selection of their products, brands and markets and preparation of the associated operational and logistical plans (i.e., administration, accounting and personnel matters). For further discussion, see “Organizational Design: A Library for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project ([www.seproject.org](http://www.seproject.org)).

<sup>21</sup> J. Gorrill, *Doing Business In Germany: Communicaid* (February 16, 2006).

with respect to control practices and organization patterns.<sup>22</sup> For example, the annual planning process in Germany was a bit shorter than in Britain, extending over a four month period, and covered a short planning period (i.e., three years) and focused more on operational rather than strategic issues.<sup>23</sup> Rather than creating a separate planning department, the planning process for German firms generally fell under the direction of the controller's office at the corporate level which oversaw long-range planning, budgeting and controlling. As a result, less people were involved in planning in Germany than in Britain. To the extent that standard manuals were used in the planning process they were usually limited to guidance on preparation of financial forecasts. The main focus of this process was the finalization of an annual budget and while long-range plans were usually created along with the budget they sometimes were not prepared until after the budget was completed. In line with great importance they placed on production controls, German firms placed more emphasis on detailed short-term planning than British firms and this included preparation and use of "stringent and detailed one-year production plans . . . [with] . . . key objectives, tasks, responsibilities and deadlines".<sup>24</sup>

Recklies examined the strategic planning processes of German savings banks and credit co-operatives and observed that the regulators that oversaw the operations of these institutions established strategic objectives for those institutions in a way that removed a number of common planning activities (e.g., analysis of the external environment and assessment of the organisation's capabilities) from those institutions.<sup>25</sup> As a result, strategic planning within the savings banks and credit co-operatives focused on two main objectives: adopting strategies to meet the goals set by the regulators and designing and implementing procedures for measuring progress toward those goals. Recklies found that smaller institutions, usually credit co-operatives, often lacked the resources to establish a specialized strategic planning department or recruit a full-time professional specialist for strategic planning and that in these institutions strategic planning was typically done by one or more persons in addition to their main tasks and that in some cases it was done only once a year. Larger institutions, typically savings banks, had more resources to devote to strategic planning and responsibility for planning, economic analysis and sales controls was usually assigned by the board of directors to a "directors secretariat office" that performed a number of top management support functions. Recklies noted that managers at both credit co-operatives and savings banks in Germany often had a lower educational and qualification profile than managers at other types of German retail banks and that this meant that there was a general lack of knowledge among the credit co-operatives and savings banks regarding strategy, strategy development and tools and

---

<sup>22</sup> J. Horovitz, "Management Control in France, Great Britain and Germany" in T. Weinsall, *Societal culture and management* (New York: Walter de Gruyter, 1993), 445-454, 449.

<sup>23</sup> The emphasis on operational issues was consistent with the intense focus on achieving and maintaining operational efficiencies and establishing production controls found among German firms. See J. Horovitz, "Management Control in France, Great Britain and Germany" in T. Weinsall, *Societal culture and management* (New York: Walter de Gruyter, 1993), 445-454, 446.

<sup>24</sup> J. Horovitz, "Management Control in France, Great Britain and Germany" in T. Weinsall, *Societal culture and management* (New York: Walter de Gruyter, 1993), 445-454, 450. Horowitz reported that "in Britain short-run plans . . . at the subsidiary level [were] essentially budgets". *Id.*

<sup>25</sup> O. Recklies, "Practice of Strategic Planning in German Retail Banks", *Economics and Organization of Enterprise*, 3 (2010), 39.

models for strategic planning and that directors with appropriate qualifications often became personally involved in planning or sought support from external consultants.

#### **§1:4 France**

As opposed to their counterparts in Britain and Germany, French firms studied by Horovitz placed less emphasis on long-range planning activities and those firms that were active in this area typically created plans that were “often more like 3-year financial forecasting rather than being decisions today which [could] change the normal course of actions for tomorrow”.<sup>26</sup> In general, Horovitz found French managers to be skeptical and/or suspicious of long-range planning efforts, leading to either abandonment of the entire process or drastic reduction of the time frame to no more than two to three years out. French firms invested a lower level of human resources in planning and generally did not create and use formal planning procedures and content requirements. As a result, what planning that did occur took place over a relatively short period—two months prior to the beginning of the year under analysis—and the output was usually more like an annual budget than a forecast. When forecasts were made they generally were completed after the budget had been finalized.

#### **§1:5 Israel**

Harpaz and Meshoulam commented that, in general, formal strategic business planning, particularly appreciating and analyzing the relevant external environment, remains an evolving art and science in Israel and that, in particular, there is a “lack of realization on the part of management as to the contribution of HR to organizational strategy” in Israel.<sup>27</sup> This leads senior executives of Israeli firms to recruit leaders for the human resources function that have little training or experience in strategic planning and to refrain from imposing requirements on the human resources area similar to other core strategic functions, such as establishing clear objectives supported by plans and budgets that can be monitored and audited to ensure accountability.

#### **§1:6 Japan**

Japanese companies have traditionally taken a long-term approach to development and implementation of strategic plans and Japanese managers have typically been very patient with respect to the time required to implement concepts and systems and embed the organizational philosophy necessary for achievement of the specified goals and objectives.<sup>28</sup>

---

<sup>26</sup> Id. at 450.

<sup>27</sup> I. Harpaz and J. Meshoulam, “The Meaning of Work, Employment Relations and Strategic Human Resources Management in Israel”, *Human Resource Management Review*, 20(3) (September 2010), 212, 221.

<sup>28</sup> J. Keys and T. Miller, “The Japanese Management Theory Jungle”, *The Academy of Management Review*, 9(2) (April 1984), 342.

It is well recognized that consensus plays a big part in the decision making processes within Japanese companies and much has been written about the concept of “ringiseido”, which Nordell described as a byproduct of the country’s group orientation and a means for allowing all group members to participate in decision making while preserving the hierarchical relationships within the group that are also treasured and revered.<sup>29</sup> Ringiseido, often referred to as the “ringi process”, also creates a situation in which no single individual is responsible for the success or failure of a plan and promotes group moral and harmony, each of which are priorities within Japanese societal culture. According to Ala and Cordeiro, the ringi process begins with the preparation of a document, referred to as a “ringisho”, by a lower level manager wanting a decision that includes a description of the requested decision along with a specific recommendation.<sup>30</sup> The ringisho is circulated among managers directly involved in the implementation of the decision and managers whose help would be needed in order for the implementation to be successful and each of them indicates approval, disapproval or indifference to the proposal through the way that they place their personal seal on the document. All of this information is then sent to the person at the top of the hierarchy who makes a final decision by placing his seal on the document and then the document is return to the original proponent for either implementation or reconsideration. The formalistic progression of the document through the group hierarchy is typically preceded by unofficial communications to lay the groundwork for the formal proposal.<sup>31</sup>

"Hoshin Kanri", also referred to as the “Hoshin Process”, was developed in Japan in 1960s and 1970s as a means for aligning all parts of the organization to accomplish mutually agreed goals and objectives and establishing processes for implementing plans and continuously reviewing the results of the plans and improving them as needed during the implementation process. Manktelow provided a simple description of the key steps in the Hoshin Process, which began with defining what needed to be improved and then continued with establishing sub-goals to achieve the objectives, communicating the plan and establishing responsibilities and control measures, developing a system to collect information on the control parameters, analysis of results and corrective actions, and continuous repetition of the entire process.<sup>32</sup> Manktelow observed that the Hoshin Process was one of many planning and management techniques that the Japanese created based on the work of Deming, who wrote and consulted extensively with Japanese companies after World War II on a variety of management topics including quality controls, and that its emphasis on various levels of organizational objectives was borrowed from Drucker’s influential “Management by Objectives”.

<sup>29</sup> E. Nordell, *Strategic Planning in Japanese Companies: A Qualitative Study on Strategic Planning with a Focus on Cultural Aspects* (2012), 17-18.

<sup>30</sup> M. Ala and W. Cordeiro, “Can We Learn Management Techniques from the Japanese Ringi Process?”, *Business Forum*, 24 (1999), 22.

<sup>31</sup> B. Keys and T. Miller, “The Japanese Management Theory Jungle”, *Academy of Management Review*, 9(2) (1984), 342.

<sup>32</sup> J. Manktelow, *The Hoshin Planning System: Steering Everyone in the Right Direction*.

Nordell described several characteristics that Lauenstein had argued were of particular importance in understanding how Japanese companies determined their strategies<sup>33</sup>:

- While the traditional approach to strategic planning emphasized the need to establish and prioritize goals and objectives, Japanese executives tended to see objectives as being integrated with each other and placed high importance on making sure that their companies had a feeling of “family” as they carried out their activities.
- Prestige was important in Japan and goals and objectives associated with prestige tended to be given higher attention in strategic planning.
- Japanese executives were less interested in being the leader in a particular market as opposed to other areas of growth and exporting was extremely important to Japanese companies, which meant that their strategic orientations tended to be worldwide.
- Long-term goals and visions were important to Japanese companies and were generally set by top executives who considered this to be one of their main responsibilities.
- As noted above, growth was important to Japanese companies and their executives generally established bold and aggressive goals as catalysts for achieving the desired expansion.
- Consensus was extremely important throughout the strategic planning process and Japanese executives involved line managers in decision making to ensure that once decisions were made they were supported and understood by all of the parties who would be involved in implementation.

At the time that he wrote, the mid-1980s, Lauenstein found that Japanese companies were relatively weak with respect to their capital allocation skills, often following the investment activities of other companies and thus allocating resources to projects with low rates of return, and that the companies typically concentrated on intermediate-term planning and relied on plans that were refreshed every four or five years.

Nordell conducted his own survey of strategic planning processes among Japanese companies using a combination of literature review and interviews with representatives of several Japanese companies.<sup>34</sup> The respondents in his study believed that strategic planning, including the core concepts of vision, mission and values, could be found among Japanese companies and that Japanese companies typically relied on a mission statement as a tool for describing basic management philosophy. However, while respondents did acknowledge that strategic planning existed, they were skeptical about its meaning and effectiveness and suggested that many of the planning ideas and concepts, particularly “vision” and “mission”, had been imported from the US as a matter of public

---

<sup>33</sup> E. Nordell, *Strategic Planning in Japanese Companies: A Qualitative Study on Strategic Planning with a Focus on Cultural Aspects* (2012), 20-21 (citing C. Lauenstein, “Strategic Planning in Japan”, *Journal of Business Strategy*, 6(2) (1985), 78).

<sup>34</sup> E. Nordell, *Strategic Planning in Japanese Companies: A Qualitative Study on Strategic Planning with a Focus on Cultural Aspects* (2012), 42-47. The respondents included both persons who had worked solely within Japanese companies in Japan and persons who had worked abroad with idea being that the response would capture both a “Japanese” and “international” view on how planning was viewed and implemented in Japanese firms.

relations and were actually not used that much, or considered to be important, by Japanese companies. With respect to “vision” though, it is generally recognized that many Japanese companies have been successful due in part to being led by a strong founder with a long-term vision for the firm that drives the formulation and execution of strategy. The respondents also acknowledged that globalization and the desire of Japanese companies to attain a competitive advantages in global markets has pushed them toward more formal strategic planning processes that link their resources and organizational systems to be specific set of goals and objectives and an overall vision of the position of the company in the global marketplace.

As for the process of strategic planning, Nordell found substantial differences among the respondents and argued that companies did not blindly adopt theories and packaged solutions regarding strategic planning but instead worked to find a process that suited their particular situation. In general, Japanese companies were familiar with, and regularly used, traditional “SWOT” analysis as part of their strategic planning; however, Nordell reported that it was not the preferred choice among the respondents and that they were likely to use other tools such as global benchmarking. All of the respondents in the Nordell survey confirmed that consensus was still an important part of the decision making associated with strategic planning and that the societal aversion to risk made it more difficult to select and implement strategies that were perceived as being associated with too much “change”. Some of the respondents cited differences between the process followed for corporate and business strategies: the process for corporate strategy was more “top-down” with decision made and communicated by senior management; however, decisions regarding business strategy were made using a “bottom-up” model that started with proposals from various business units based on their analysis of their markets. The respondents in the Nordell survey used an annual planning process due to the realization that markets changed rapidly and several of them reported that their planning periods were usually three years.

As for the outputs of the strategic planning process, the respondents again emphasized the importance of consensus to ensuring that decisions coming out of the planning processes are implemented. Responsibility for setting the strategic goals and objectives for the companies were vested in senior management; however, senior managers realized that they need to have employees “on their side because otherwise they will not be able to implement the strategies they decide upon”.

Imai discussed certain aspects of strategic planning in Japanese companies in the context of the concept of “Kaizen” and explained that Japanese planning focused on the development and implementation of “policies”, which include both long- and medium-range management orientations and annual goals and targets.<sup>35</sup> As for the long-range goals, they could be broken down into two categories: goals relating to attainment of certain financial and operational results as profitability, market share and products, and goals associated with the Kaizen process relating to improvements in the company’s systems and cross-functional activities. Imai emphasized that while Japanese managers

---

<sup>35</sup> M. Imai, *Kaizen: The Key to Japan’s Competitive Success* (1986), 126-127. Imai explained the policy formulation and deployment process at length in pages 126-153.

certainly viewed the achievement of the result goals as being a priority, given external pressures from shareholders and other stakeholders, the improvement-related goals were seen as being equally important and necessary for strengthening the organization and improving its performance and competitiveness. According to Imai, the improvement-related goals typically touched on three key areas—quality, cost and scheduling—and included a wide array of activities such as employee education, customer satisfaction and service, quality assurance, cost control, volume, delivery control and new product development. Achievement of these goals required cross-functional management, cooperation and communication and department managers were required to subordinate the interests of their department to the company-wide improvement goals and, in fact, many of the functional goals developed in the policy process are geared toward the department's expected contribution to attainment of the improvement-related goals identified by top management.

Policies included both goals and measures, which were the specific action plans developed during the policy-making process to achieve the goals, the policy process included not only formulation of the policies but also extensive care and attention to deployment of the policies, development of major control and check points and regular audits or diagnoses to check on whether the policies have been properly executed and what changes should be made in the policies and/or measures. The continuous process of formulation, deployment, audit and re-deployment followed from the influential “Deming cycle”, a method for assuring continuous improvement that was introduced in Japan by W.E. Deming in the early 1950s and which became quite popular in subsequent years. Deming stressed the need for continuous interaction and cooperation among departments specializing in different functions such as research, design, production and sales in order to realize higher-level company goals relating to quality and customer satisfaction and suggested that the necessary cross-functional management should be carried out by a continuous cycle of Plan-Do-Check-Action. In fact, the Deming cycle is often referred to as “PDCA Cycle”.

### **§1:7 Nordic Europe**

Researchers have observed that Swedes typically engaged in extensive planning, discussion and organization before finalizing and implementing decisions, a process that has been attributed to the desired of Swedish managers to achieve consensus among team members as a means for ensuring that the team is fully committed to a common goal and to attaining the highest quality.<sup>36</sup> Researchers failed to find a consistent relationship between the level of formality of strategic planning and the performance on the firm in studies of firms conducted in Sweden<sup>37</sup>; however, other researchers claim to have found support for a positive relationship between planning processes other than formality and performance in studies conducted in Finland.<sup>38</sup> Hoffman studied companies in several

<sup>36</sup> T. Lamsa, “Leadership Styles and Decision-Making in Finnish and Swedish Organizations”, *Review of International Comparative Management*, 11(1) (March 2010), 140, 145-146 (citing A. Ekwall and S. Karlsson, *Mötet – en bok om kulturella skillnader och ledarskap*. Svenskt och finskt (1999), 152).

<sup>37</sup> L. Rhenman, *Organization theory for long range planning* (New York: Wiley, 1973).

<sup>38</sup> P. Harju, *Attitude of strategic managers toward formalized corporate planning* (1981).

societal clusters—Anglo, Nordic and Germanic— and found evidence in each of these clusters to support the proposition that there was a positive relationship between strategic planning, particularly planning system maturity and planning impact, and firm performance.<sup>39</sup> Hoffman also found marginal support for the hypothesis that managers from low uncertainty cultures, such as the Nordic countries, placed a stronger emphasis on various strategic planning processes than those from German cultures where uncertainty avoidance was higher. In that regard, Hoffman cited Schneider and Barsoux for their observation that, in comparison to the Germanic culture cluster where uncertainty avoidance is high, “[m]anagers from Nordic and Anglo countries are less likely to see environments as uncertain’ and more likely to believe environments can be analyzed and known through rational processes such as strategic planning”.<sup>40</sup>

Deloitte surveyed the strategic planning practices of 22 Finnish companies from various industries in the summer of 2009 and identified several key findings.<sup>41</sup> For example, Deloitte found that strategic processes showed an unexpected amount of variation in terms of duration, involvement and planning horizon and these variations could not be easily explained by company size, industry or other similar rational factors. One interesting trend was a movement away from purely calendar-driven, annual strategy assessment toward a mix of regular updates and “strategic projects or themes, which can be either event-driven or a deliberate way to keep strategic thinking fresh and in the forefront also between annual strategy rounds”.<sup>42</sup> Respondents indicated that they were not having difficulties in collecting market information, but that the challenge for them was consolidating all of the information and making good analysis of the information that had been gathered. Deloitte observed that several of the respondents had purposefully moved toward more flexible methods of strategic planning and reduced formality in favor of more “continuous iterative work, in which key impulses of the market would be analyzed whenever considered purposeful”.<sup>43</sup> Another idea that was becoming more popular was increasing the use of specialists in the strategy planning process and a willingness to emphasize expertise, not necessarily position in the company, when selecting members of teams involved in analyzing a specific strategic issue. Finally, several companies recognized that there had to be better linking of market data and decision making and that executives needed to do a better job of understanding the reports generated by business intelligence and business development units and incorporating the information in those reports into decisions rather than simply acting based on “gut feeling”.<sup>44</sup>

## §1:8 Switzerland

---

<sup>39</sup> R. Hoffman, “The Strategic Planning Process and Performance Relationship: Does Culture Matter?”, *Journal of Business Strategies*, 24(1) (2007), 27.

<sup>40</sup> *Id.* (citing S. Schneider and J. Barsoux, *Managing across cultures* (2nd Ed.) (New York: Prentice Hall, 2003), 122).

<sup>41</sup> Deloitte, *Strategic Planning in Finnish Companies* (2009).

<sup>42</sup> *Id.* at 3.

<sup>43</sup> *Id.* at 27.

<sup>44</sup> *Id.*

As general matter, the importance that the Swiss place on orderliness, planning and preparation leads to an expectation that Swiss firms will adopt some form of formal planning process, although the details may differ depending on the language region where the firm is headquartered. For example, most Swiss companies prefer detailed plans with tight budgets and schedules; however, companies from the French and Italian regions of Switzerland may take a more relaxed approach to planning and strategy than their counterparts from the German-speaking Switzerland. Planning is typically the responsibility of senior management, although senior managers will usually consult widely throughout the organization before making final decisions and setting goals and milestones. Planning horizons in Switzerland tend to be more long-term than in countries such as the UK and the US. Swiss start-ups are introduced to formal planning at an early stage through the large number of business plan competitions held around the country and, in fact, an important part of the value of those competitions to Swiss entrepreneurs is exposing them to professional advisors who can assist with development of more formal and efficient planning processes.

Hoffman collected information on strategic planning and performance from an international sample of firms from several cultural clusters: Anglo (US and UK), Germanic (Germany and Switzerland) and Nordic (Denmark, Finland, the Netherlands, Norway and Sweden).<sup>45</sup> Hoffman noted that researchers had often argued that high uncertainty avoidance leads to increased planning activity, a higher perceived importance of planning and a longer planning time horizon while firms operating in low uncertainty avoidance cultures prefer to use more flexible, short-term planning processes<sup>46</sup>, and his own survey found marginal support for the hypothesis that managers from the low uncertainty avoidance Anglo and Nordic cultures would place a stronger emphasis on various strategic planning processes than those from high uncertain avoidance Germanic cultures. Hoffman's survey also provided support for his hypothesis that formal strategic planning processes would be positive related to firm performance given higher levels of power distance.

Nauheimer, who conducted a multi-country study of strategic planning processes in large companies using case studies based on information collected from nine large companies headquartered in the US, Switzerland and Germany, noted that since countries with low uncertainty avoidance such as the US have a higher tendency to take risks and are less accepting of rules and conformity it might be assumed that organizational planning systems in that country would be less formal and structured than those of firms based in countries such as Germany where uncertainty avoidance is high.<sup>47</sup> The results of her survey appeared to confirm these predictions by providing partial support for the proposition that “[s]trategic planning systems are subject to cultural differences” and that

---

<sup>45</sup> R. Hoffman, “The Strategic Planning Process and Performance Relationship: Does Culture Matter?”, *Journal of Business Strategies*, 24(1) (2007), 27.

<sup>46</sup> G. Hofstede, *Culture's Consequences* (2nd Ed.) (2001); P. Haiss, *Cultural Influences on Strategic Planning* (1990); and D. Brock, D. Barry and D. Thomas, “‘Your Forward is Our Reverse, Your Right, Our Wrong’: Rethinking Multinational Planning Processes in Light of National Culture”, *International Business Review*, 9(6) (2000), 687.

<sup>47</sup> M. Nauheimer, *On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives and Evidence* (2009).

“[c]ompanies based in Anglo-American societies will exhibit flexible, non-formalized strategic planning systems and short term strategic plans . . . [while] . . . [c]ompanies based in Germany and/or Switzerland will tend to have a more formalized and structure planning process resulting in long-term strategic plans.” Nauheimer also found that in Germany and Switzerland, where power distance was high and people accepted orders from managers and were extremely uncomfortable challenging those orders, strategic planning was very transparent albeit smooth. Finally, Nauheimer noted that US organizations tended to have a short-term orientation with respect to planning as opposed to the long-term orientation among German and Swiss firms due perhaps to differences in ownership structures of firms in the US, Germany and Switzerland.

### §1:9 Brazil

Frezatti et al. conducted a study of the relationship between management accounting and planning profiles in a large sample of medium- and large-sized Brazilian companies and found that the entities' strategic budget planning processes could be grouped into five profiles that reflected varying degrees of emphasis on strategic planning and budgeting.<sup>48</sup> The cluster that included the greatest number of entities was described as being “the most comprehensive cluster in terms of both strategic plan and budgeting” and entities in this group had both strategic and tactical plans. The authors noted that firms in this cluster tended to be engaged in manufacturing, as opposed to financial services, and had larger revenues. They also noted that these firms generally had most of the elements of a comprehensive planning system including monthly balance sheets, monthly cash flows, capital budgeting, long-term planning and forecasting. Other clusters included entities with more emphasis on strategic planning as opposed to budgeting or vice versa and were characterized as being at intermediate levels with respect to the components of their planning systems (i.e., they lacked one or more of the elements mentioned above). One cluster, which was populated by smaller companies typically engaged in foreign trade and wholesaling activities, was characterized by rudimentary planning and budgeting processes, typically no more than balance sheets and cash flow statements. Frezatti et al. found that size, revenues and types of activities appeared to be relevant in predicting the level of comprehensiveness in strategic planning and budgeting.

Two researchers set out to analyze the use of strategic planning in 13 small and medium-sized Brazilian high-tech companies and found that most of respondents did use some form of strategic planning overseen either internally by managers or by outside consultants.<sup>49</sup> The main planning activities included SWOT analysis, development and description of strategic mission and vision, establishment of controls to monitor progress of the strategy and development of budgeting practices. Respondents that were not engaged in strategic planning explained that they were either unfamiliar with the necessary techniques or lacked the time and resources for planning and preferred to

<sup>48</sup> F. Frezatti, A. Aguiar, R. Guerreiro and M. Gouvea, “Does Management Accounting Play Role in Planning Process”, *Journal of Business Research*, 64(3) (2011), 242.

<sup>49</sup> T. de Barros Jerônimo and D. de Medeiros, “The Mature of Strategic Business of Small and Medium-Sized High-Tech Companies in Brazil”, *International Journal of Business, Humanities and Technology*, 2(5) (2012), 143.

prioritize sales activities. Regardless of whether they used formal strategic planning techniques most of the respondents reported that they employed a variety of techniques to analyze their markets, competitors, customers and suppliers. Respondents differed with respect to the level of employee involvement in the development of strategic plans: three of them considered employee participation to be fundamental; six respondents considered employee participation to be relatively important; and four respondents did not consider employment participation to be necessary or important.

### §1:10 China

Wehrich studied and compared planning processes in China with the processes in the US and Japan by considering the relative weight given to short- versus long-term planning, the level of participation or involvement by persons at lower levels of the organizational hierarchy, whether decisions were made by one individual at the top of the hierarchy or by consensus or committee, the flow of the decision making process and the speed of decision making and implementation.<sup>50</sup> He found that planning in China was a mix of long- and short-term orientation as managers formulated both five year plans with long-term objectives and annual plans that focused on the immediate operational goals that need to be achieved in order to achieve the long-term objectives. Consistent with the characteristics of societal culture in China decision making tended to occur within committees although final decisions were often made at the top of the organizational hierarchy by a single individual. Ideas for inclusion in organizational planning were typically generated from the top and then input was solicited from lower levels. Wehrich found that, in general, decision making in China tended to be slow and implementation was also relatively slow even though there was some limited input from workers. Wehrich speculated that slow implementation in China was a result of worker participation not being treated as seriously as in other countries such as Japan.

Haley et al. have suggested that it is important to remember that the economic and ethical roots of Chinese strategy draw heavily on Confucian and neo-Taoist philosophies as well as the unique characteristics of the country's history of development that include both Imperial and Maoist bureaucracies.<sup>51</sup> They note that strategic planning has always been, and will continue to be, carried out in a societal cultural environment in which networks and personal trust and relationships play an important, arguably fundamental, role. As a result, the Chinese version of the scanning process normally associated with planning activities will be focused on three key networks currently operating in China: business, government and clans. Haley et al. also pointed out that Chinese managers are more likely than their counterparts in the West to rely on "gut feel" based on experiential knowledge as the basis for making strategic decisions due to cultural factors, the lack of reliable data in China on consumers, competitors and markets and the general turbulence and rapid changes within the Chinese business environment.

<sup>50</sup> H. Wehrich, "Management Practices in the United States, Japan and the People's Republic of China", *Industrial Management*, 3 (March/April 1990).

<sup>51</sup> G. Haley, U. Haley and C.T. Tan, *The Chinese Tao of Business: The Logic of Successful Business Strategy* (2004). The discussion in this paragraph is based on an interview with the authors appearing at [http://www.business-in-asia.com/books/chinese\\_business.html](http://www.business-in-asia.com/books/chinese_business.html)

Jenster and Søylen were interested in investigating the relationship between strategic planning and company performance among Chinese companies and wondered specifically whether Chinese firms would differ from their counterparts in the West or whether the particular dynamics of the Chinese business environment would require different strategic approaches than those commonly used in the West.<sup>52</sup> They identified and analyzed the strategies of several different types of Chinese companies using the typology of strategies suggested by Miles and Snow (i.e., Defenders, Prospectors, Analyzers and Reactors) and found that strategic planning did have a considerable impact on the performance of the companies that they studied and, quite importantly, that Chinese companies seemed to follow the same model as Western companies. For example, their results confirmed the long-held belief based on studies of firms in developed countries that companies that followed the Reactor strategy tended to perform less well than companies that selected one of the other three strategies. They also found that activities related to “competitive intelligence”, which they described as “the practice of defining, gathering, analyzing and distributing need-to-know information to the organization’s decision makers” were on average more important to the performance of the surveyed companies than other planning activities.<sup>53</sup>

### §1:11 India

Several researchers have commented extensively on the evolutionary challenges confronting Indian organizations with respect to corporate strategy and planning. Writing in 2004, for example, Karki argued that Indian companies need to adapt their corporate strategies over the next ten years to address various issues in both an evolutionary and an emerging context.<sup>54</sup> With respect to the evolutionary context he counseled that Indian firms needed to correct and change their traditional mindset of dependency on the Indian government, which had long dictated what Indian firms could and could not do through an elaborate system of licenses and controls designed to execute India’s “nationally planned self-reliance”; move beyond rationalization of their businesses (i.e., balancing portfolios created under the licensing regime) to create product and process innovation capabilities; establish tight linkages between corporate and business strategies with operations; venture into new areas and, finally, build on their initial successes in competing against multinational corporations entering India by either entering overseas markets themselves or moving into new markets in India that may have the presence of multinational corporations currently or in the future. With respect to the emerging context Karki noted that Indian companies needed to be prepared to cope with a large, growing and internationalizing domestic economy; globally integrated capital markets; information and communication technologies; the need to develop appropriate corporate governance standards and orientations and the need to identify and attract management resources and capabilities. With respect to setting their corporate strategies Karki

<sup>52</sup> P. Jenster and K. Søylen, “The Relationship between Strategic Planning and Company Performance – A Chinese Perspective”, *Journal of Intelligence Studies in Business*, 1 (2013), 15.

<sup>53</sup> *Id.* at 16.

<sup>54</sup> R. Karki, “Corporate Strategy of Indian Organizations: The “Root- Branch” Framework”, *Vikalpa*, 29(3) (July-September 2004).

suggested that Indian companies needed to focus on “being honest” and “being world-class” and then decide on one of three paths for the direction of their strategic and operational efforts: “India focused”, “India diversified” or “global focused”.<sup>55</sup>

Kazmi recorded the progress of education, training, research and consulting relating to strategic management in India. A survey that he conducted in the early 1990s among Indian management institutions and university management departments indicated that education and training was being conducted in business policy and strategic management with the focus being on integration of functional areas and providing students and managers with a better understanding of strategic management models popularized and used in the US that included topics such as the mission, objectives, top management functions, environmental and internal analyses, strategy formulation, strategy implementation and strategic evaluation.<sup>56</sup> Kazmi noted that research in strategic management was largely neglected in India at that time, presumably because emphasis was being placed on teaching; however, there was some research going on in areas such as industry analysis, business growth and diversification, public enterprise, leadership, managers and decision-making, finance, technology transfer, turnaround strategies and transnational investment.

Kazmi described the evolution of strategic management and some of the more important factors that influenced the time and resources shifted toward strategic planning.<sup>57</sup> As mentioned above, during the pre-liberalization period planning among Indian companies focused, not surprisingly, on meeting the objectives set by the government in its continuous national economic planning program and little or no attention was paid to enterprise-specific objectives. During the 1990s there was what Kazmi referred to as “a period of transitional euphoria followed by a reality check” as Indian firms emerged from being mere pawns in a large planned economy and stepped into a rapidly changing domestic marketplace and the onslaught of global competition. Kazmi reported that Indian firms became more focused on rationalization and operations improvements and implementing strategies of growth through acquisitions, internationalization and product market expansion. These initiatives were driven by events such as the emergence of a middle class in India with steadily increasing purchasing power and the integration of India into the World Trade Organization which was expected to increase competition, drive Indian companies to consolidate activities into core competence areas and prepare to graduate to global leadership, increase expenses in research and development, shake out minor players and trigger mergers and acquisitions to gain global scale and create pressures for improvement in infrastructure to negate structural disadvantages.<sup>58</sup> Kazmi also predicted that the first decade of the 2000s would be occupied with efforts to synergize entrepreneurial flair with professional skills in strategic management, promote

<sup>55</sup> See also R. Karki, *Indian Companies in a Globalising Arena* (2001).

<sup>56</sup> A. Kazmi, *Business Policy and Strategic Management* (2<sup>nd</sup> Ed) (2002), 7 (citing A. Kazmi, *Survey of Status of Teaching and Research in Business Policy/Strategic Management* (1996)).

<sup>57</sup> A. Kazmi, *Business Policy and Strategic Management* (2<sup>nd</sup> Ed) (2002), 9 (citing R. Karki and R. Krishnan, *Strategic Management in Indian Companies: Evolution and an Agenda for 2000-2010* (1999)).

<sup>58</sup> A. Kazmi, *Business Policy and Strategic Management* (2<sup>nd</sup> Ed) (2002), 117.

the development of technology capabilities, decentralization and development of institutionalized control mechanisms.

Rao and Suryanarayana observed that there have been few academic studies of corporate planning practices in Indian firms and argued that “[c]orporate planning had its genesis in India in the 1960s when a number of subsidiaries of multinational companies introduced the process in compliance with their parent companies' directives” and then went on to note that a number of Indian companies have since introduced formal planning processes for a variety of reasons including orders from governmental bodies, the belief among top managers that planning would be useful in achieving their long term objectives and the simple desire not to be left behind others firms that had previously embraced planning.<sup>59</sup> Rao and Suryanarayana predicted that strategic or corporate planning would become increasingly important in a number of industrial sectors in India as the government's liberalization policies, which have been operating for decades, reduce the protections that Indian firms enjoyed from competition and force those firms to develop a planning and budgeting orientation. Rao and Suryanarayana explained that management education had become quite popular in India, with Indian universities and institutes of management typically structuring their curriculum based on the format popularized by the leading American business schools and that increasing attention was being paid to strategic management concepts, techniques and case studies. At the same time executive development programs around India have offered shorter programs on corporate planning using, in most case, materials that were first developed in the US.

### §1:12 Indonesia

Indonesia is one of the members of the Association of Southeast Asian Nations (“ASEAN”) and studies by researchers such as Foo and Foo have provided evidence of increasing general emphasis on corporate strategy in the ASEAN region and specific efforts by companies in the region to reduce their dependence on external consultants and devote more internal financial, human and computer modeling resources to planning.<sup>60</sup> Among other things Foo and Foo found that ASEAN firms were lengthening their planning horizons, increasing interdependence between operational and strategic planning, taking advantage of the greater availability of published statistical data to sharpen the analysis that was part of the corporate planning process and devoting more resources to strategic planning processes and managerial training in strategy. As was the case with other developing countries the shift toward more formality in the planning process among ASEAN-based companies may be attributed to the need to diversify economic activities and transition into value-added industries rather than relying on extractive industries where planning needs were more elemental. Foo and Foo noted that use of corporate planning techniques to anticipate future events and associated changes that might be required in strategy represented an interesting effort to overcome traditional

<sup>59</sup> P. Rao and N.V.S. Suryanarayana, Strategic Planning in India, Articlesbase, <http://www.articlesbase.com/business-ideas-articles/strategic-planning-in-india-3187141.html>.

<sup>60</sup> The discussion in this paragraph is adapted from Check-Teck Foo and Check-Tong Foo, “Outlook for Asian Strategy: Some ASEAN Corporate Perspectives”, Singapore Management Review, 23(2) (2001), 85.

societal cultural values that generally viewed the future as uncontrollable and determined by the whims of an uncertain external environment.<sup>61</sup>

Jiang and Alis relied on case studies and interviews of middle and top managers within a small group of Chinese and Indonesian small- and medium-sized enterprises (“SMEs”) to analyze the relationship between strategic management and performance among the surveyed firms.<sup>62</sup> They noted that in both countries, as well as all around Asia, SMEs are extremely important for economic growth and development due to the large contributions that they make to employment, job creation and innovation. With respect to Indonesia in particular the authors commented that, at the time of their survey, SMEs accounted for approximately 90% of the economic growth in the country and were the largest source of employment in Indonesia. They praised SMEs as platforms for the entrepreneurial talents of Indonesian villagers, especially women; however, they also cited a variety of problems and challenges for SMEs in Indonesia including low levels of productivity, poor quality products, limited scope of operations (i.e., small or localized markets), lack of finance, low human resource and technological capabilities, difficulties in upgrading their product or technology sectors and unclear business regulations that restrict the ability of SMEs to grow and diversify.

Based on their limited survey Jiang and Alis found that Indonesian SMEs were aware of the importance of external factors and used both external and internal analysis to understand the uncertain and turbulent market conditions in which they operated. The authors commented that most of the companies indicated that the guidelines for their strategic decisions would be based on external factors (i.e., political, economic, social and technological) and that the feasibility of the strategic alternatives would be determined based on an analysis of internal factors (i.e., “SWOT” analysis of strengths, weaknesses, opportunities and threats). Other interesting and relevant findings included a preference for centralized decision making and organizational structure, although top management did share their vision and mission for their companies with people throughout the organization; a focus on identifying and coping with environmental uncertainties; a primary goal of increasing business profit accompanied by an understanding of the importance of non-financial performance measures such as innovation, and customer satisfaction and improving employee welfare; and, finally a preference for “niche strategies” that focus on a particular segmented market (in contrast, the Chinese companies surveyed typically focused on differentiation strategies as a means for developing new markets and technologies).

---

<sup>61</sup> In a separate article the same researchers explored in depth the question of whether or not Western techniques for forecasting the future as a means for coping with uncertainty could indeed be adapted to the Asian context and noted that Asian firms were likely to depend less on formalistic projections and planning and favor more organic approaches that relied upon the foresight of CEOs able to bring their wisdom, experience and seasoning to anticipating the future. See Check-Teck Foo and Check-Tong Foo, “Forecastability, Chaos and Foresight”, *Foresight*, 5(5) (2003), 22.

<sup>62</sup> The discussion of the survey and findings of Jiang and Alis in this section is adapted from Q. Jiang and T. Alis, *Strategic Management in East Asia SMEs: The Case Study of SMEs in China and Indonesia* (2009).

Jiang and Alis provided several insights on the impact of the Indonesia external environment on the SMEs included in their survey that likely have broader applicability. First, it was noted that elections generally brought significant and unpredictable changes in economic policies that created uncertainty in the business environment that needed to be taken into account in the strategic planning process. Second, more intense competition in the marketplace raised pressures to maintain and reduce costs to offer attractive pricing to customers and increase profitability. As a result, companies needed to strategize to obtain financial and credit support from banks and the government. Third, Indonesian companies had to recognize and take into account the substantial diversity within the large country with respect to socio-cultural norms and values, language and ethnic traits. As companies entered new locations around the country (i.e., different islands and rural areas) they needed to engage in substantial research regard local customs and governmental policies and procedures. Fourth, companies had to take into account the availability of appropriate technology and the adequacy of the knowledge and skills of company personnel to use the technology effectively. Finally, Indonesian companies were, and are, particularly vulnerable to unforeseen natural disasters that can cause significant human and financial losses and damage elements of an infrastructure that is already in need of substantial improvements.

### §1:13 Korea

Jun conducted an extensive comparative study of strategic management in big business groups in Korea and Japan.<sup>63</sup> Jun noted that big business groups in Korea had been confronted with several influential macro environmental variables in recent years including the financial crisis in their country in the late 1990s, the globalization and liberalization of their national economy and the abolition of assistance from their government. In addition, large Korean companies began to encounter higher levels of competition between existing firms and competition from independently-owned small- and medium-sized enterprises.<sup>64</sup> Each of these trends drove large Korean companies to analyze and assess the efficacy of their traditional organizational designs and decision-making processes which Jun described as follows: “Most decision-making power and authority are concentrated in top management. This system may hinder the free flow of opinions and ideas from low-level employees and the centre of the organisation becomes increasingly isolated from the place where decisions are needed and can best be made. These GTCs also emphasise formalisation. Employees within them are controlled by job, workflow and rules.”<sup>65</sup> Jun also noted that Korean firms typically follow strict and time-consuming formal procedures for seeking and obtaining top management approval for all business decisions and commented that that “there is no visible resistance to this

<sup>63</sup> I.W. Jun, *The Strategic Management of Korean and Japanese Big Business Groups: A Comparison Study between Korean General Trading Companies and Japanese Sogo Shoshas* (2009). The specific business groups covered in the study included Samsung Corporation, Daewoo International Corporation, LG International Corporation, Hyundai Corporation, SK Networks Co., Ltd., Hyosung Corporation and Sangyong Corporation.

<sup>64</sup> I.W. Jun, *The Strategic Management of Korean and Japanese Big Business Groups: A Comparison Study between Korean General Trading Companies and Japanese Sogo Shoshas* (2009), 197.

<sup>65</sup> *Id.* at 198.

decision-making system, because of the Confucian ethical system, which entails paternalism, loyalty and respect for elders and seniors”.<sup>66</sup>

Jun reported on the results of a study of decision-making procedures of Korean manufacturing companies’ investment in the UK conducted by Lee in the late 1990s and noted that Lee had found that top management was the key driving force for investment decisions, consistent with the understanding that top management plays a conclusive role in decision-making as part of a highly centralized hierarchical decision structure, and that top executives such as the chairman, president and chief executive officer were highly involved in the decisions.<sup>67</sup> Another interesting finding from the Lee study was that the boards of directors of the Korean companies were generally staffed by insiders, such as members of the owner’s family or professional managers employed by the owners, and tended to simply ratify the decisions of top management rather than get actively involved in independently supervising the activities and performance of the managers of the firm. Another study conducted by Jun looked at the involvement of middle-level Korean managers in decision making and uncovered evidence that relatively little time was spent in diagnosis and analysis of the causes of problems or issues that triggered the need for a decision and that while a substantial amount of time was spent on evaluating and selecting alternatives, including exchange and discussion of relevant information, very few of the managers changed their opinion with respect to their preferred alternative from what it was at the time that the problem was first identified.<sup>68</sup>

The results of Jun’s study provided several interesting insights into then-current and projected decision-making processes of large Korean business groups. First of all, a sizable number of the respondents felt that the organizational centralization historically found among Korean companies had a negative influence on a firm’s overall performance and Jun suggested that this could be traced to discontent regarding poor, short-sighted decisions made by top executives in the *chaebols* based on their personal preferences or feelings and not the situation in the market that endangered their companies and the national economy.<sup>69</sup> Second, the restructuring of the *chaebols* at the behest of the government following the economic crisis had led to rationalization of their decision-making processes and decentralization of their organizational structure. Third, Jun argued that the loyalty and life-time commitment of Korean employees to their companies is not as strong as it used to be and that “[w]hile most employees respect group opinions, they now want the chance to express their own views . . . [and] . . . [f]or this reason, these employees nowadays tend to disregard formal procedures in their work process”. Fourth, the time-consuming approval processes referred to above may be giving way to the emergence of other societal cultural features such as the “‘be quick’ spirit” that is leading toward acceleration of the speed of decisions and approvals in Korean firms and great use of informal strategic analysis.<sup>70</sup> Fifth, while top executives were still

<sup>66</sup> Id. at 336.

<sup>67</sup> Id. (citing K. Lee, *The Organisation of Korean Investment in the UK* (1999)).

<sup>68</sup> Id. at 350-351 (2009) (citing K. Jun, *An Analysis of Korean Middle Manager’s Decision-making Process*, 2 *The Journal of Korean Management Science* 222 (1996)).

<sup>69</sup> Id. at 314 and 321.

<sup>70</sup> Id. at 317.

the key persons within Korean firms and heavily involved in decision-making their absolute power was eroding in the face of increased authority for team leaders and middle managers. A related observation was that while the societal culture in Korea is low on individualism when it comes to corporate decision-making individualism becomes more apparent as persons reach higher levels in the organizational structure. Finally, Jun found that the power of the boards of directors of the Korean companies had become more important since the financial crisis and other stakeholders, such as labor unions and outside shareholders, were also gaining a louder voice with respect to corporate activities and strategies.<sup>71</sup>

Self et al. commented that the societal culture in Korea had generally been characterized as high power distance and authoritarianism, collectivist and communitarian and strong uncertainty avoidance and suggested that collectivism in Korean societal culture impacted the role of strategic planning and decision making in Korean firms.<sup>72</sup> Specifically, they noted that Korean firms tended to obtain information from, and place more reliance on, personal and family networks, rather than on formal research base or information sources that might otherwise be available to those firms.<sup>73</sup> In turn, this impacts the information collected for strategic plans and the approaches developed in such plans tend to place more emphasis on relationships to develop markets. Self et al. also argued the traditional leadership practices within Korean firms based on hierarchy, authoritarianism and centralization made it easier for Korean firms to make decisions quickly and implement them in rapid order. They cautioned, however, that speed does not necessarily mean that correct decisions are made since the relevant factors are not always adequately considered by appropriate specialists and decisions are made without sufficient knowledge in part because Korean firms do not encourage horizontal communications across departmental lines.<sup>74</sup>

### §1:14 Mexico

One study of 235 owners, executives and managers of small businesses in the city of Torreon, Mexico found a statistically significant relationship between the strategic planning levels and planning implementation within their companies and the business success of those companies as measured in sales increase.<sup>75</sup> The discussion of the study took special note of the fact that the strategies of many of the included companies evolved significantly as time passed and that a common milestone was emergence as a multinational business that triggered a decided shift from singular strategic approaches to adaptive plans reflecting local conditions of suddenly far-flung business operations. In fact, while “localization” has long been discussed in connection with global strategies

<sup>71</sup> Id. at 390 and 404.

<sup>72</sup> R. Self, D. Self and J. Bell-Haynes, *Intercultural Human Resource Management: South Korea and the United States* (2010).

<sup>73</sup> Id. (citing A. Morden, *Principles of Management* (1996)).

<sup>74</sup> Id. (citing T. Morden and D. Bowles, “Management in South Korea: A Review”, *Management Decisions*, 36/5 (1998), 316).

<sup>75</sup> The discussion in this paragraph is adapted from J. Diaz Saenz, *Strategic Planning and Implementation Processes Impact Small Business Success in Mexico: A Correlational Study*, <http://udini.proquest.com/view/strategic-planning-and-goid:860122560/>.

and business practices of companies headquartered in the US and other industrialized countries the study of Mexican small businesses grappling with operating in foreign markets indicated that they also needed to understand the characteristics of societal culture in those markets and identify and implement local strategies relating to sales and marketing, supply chain management and human resources.

Elizondo et al. used interviews and questionnaires among 319 micro, small and medium sized companies in the State of Coahuila Mexico to collect and analyze data regarding various aspects of their strategic planning activities including their planning indicators and strategic behavior, innovation and technology indicators and their degree of communication and information technology usage.<sup>76</sup> Among the key findings of the researchers were that 35.8% of companies performed formal strategic planning, of which 66.5% planned once a year and 33.5% planned at longer intervals; a defensive strategy was chosen by 31.9% of companies and an exploratory strategy was applied by 25.8%; and small- and medium-sized companies focused primarily on competing based on customer service, quality of the product or service and their reputation/image and spent less time and effort on factors such as research and development, personnel formation and training and the development of new products and services.

### §1:15 Russia

Fey et al. suggested that strategic planning processes in Russia might well be influenced by the practices used by the firms under the Soviet system, which they described as being long on proclaimed strategies and goals but lacking in terms of explaining the rationale behind the goals to workers when orders were passed down to management and then to the workers through the Communist party.<sup>77</sup> According to Fey et al. this approach of telling workers what their goals would be but not telling them why the goals were chosen led to a failure among workers to internalize the goals due, at least in part, to their inability to understand the entire picture and the role they were expected to play. Fey et al. went on to report, however, that they had found signs that Russian companies operating in the post-Soviet era were taking a different approach and placing greater emphasis on explaining their overall strategies to their employees so that they had a better understanding of why they were being their specific individual goals and tasks. Among the explanatory strategies deployed by Russian companies were regularly scheduled company-wide meeting during which top management discussed the future and direction of the company and orientation programs during which new hires were provided with information on company strategies and operational practices.

Groznaya argued that contemporary Russian business culture is actually a combination of a variety of cultures grounded in a number of complex and sometimes conflicting historical, political and socio-cultural factors including Russia's unique geographic position and environment that brings unpredictable and often severe climatic conditions;

<sup>76</sup> M. Elizondo, F. Rios, J. Cabrero, V. Morejón and L. Ramos, Strategic Analysis for Micro, Small and Medium Sized Companies in the Mexican State of Coahuila (4(3)/2011), 1.

<sup>77</sup> The discussion in this paragraph is adapted from C. Fey, C. Nordahl and H. Zatterstrom, "Organizational Culture in Russia: The Secret to Success", Business Horizons, 54 (November-December 1999).

a collectivist and fatalistic cultural mentality; the Orthodox Christian ethic that emphasizes obedience and strict hierarchy; and the rapid historical and political changes during the last two centuries that destroyed the society of the czars and brought both communist and post-communist institutions and mentalities.<sup>78</sup> Groznaya identified and describe three business cultures with elements still operating in Russia including the “Russian technocrat”, a group which remains important even in the post-communist period and which represents the “classical Soviet set of values” and embraces formality and bureaucracy; the “first Russian entrepreneurs”, a group described as “inventive, flexible and risk-taking”; and the “modern Russians” from the post-Perestroika generation who are characterized by high levels of formal business-orientation and an enthusiasm for Western work and management styles. Groznaya concluded, however, that although three business cultures might be identified for Russia they share certain similarities relevant to strategic planning: short-term planning (i.e., monthly, quarterly or yearly) is of greater importance than long-term strategic planning, particularly in a turbulent environment in which entrepreneurs want to make their profits now rather than waiting until later since what will come later cannot be predicted or controlled; a relaxed attitude toward schedules and deadlines, which are generally flexible and situational; a vertically-oriented, hierarchical structure in which decision making is generally left to top management, typically the founder/owner, perhaps with some consultations with their peers but not with subordinates; and a “flexible” attitude toward laws and regulations.

### §1:16 South Africa

Strategic or corporate planning is largely underdeveloped and poorly utilized in many parts of Africa. Researchers have found that only larger African organizations actually use their corporate planning departments to develop goals and objectives for the firm and operational plans to achieve those goals. In Nigeria, for example, the best examples of comprehensive planning activities have been found in the subsidiaries of foreign enterprises and in the largest indigenous holding companies. In most cases, the activities of corporate planning departments are limited to collecting statistics. The planning function is afforded relatively low status in many organizations and planning departments generally lack the human resources to provide expert advice on finance, operations, organizational development and corporate strategy. The planning that does exist is confined to establishment of general and department goals by senior management, with little discretion for middle managers and infrequent support from an actual strategic plan for pursuit and achievement of these goals. The lack of emphasis on planning is consistent with the observed culture-based preference of African managers to dwell on administering the present as opposed to planning for a future that they believe is largely unpredictable and out of their hands. For example, researchers have found that managers in Africa spent their time on internal administration and allocation of present resources rather than formal planning to pursue long-term organizational objectives and, as a result,

---

<sup>78</sup> The discussion in this paragraph is adapted from E. Groznaya, *Conflict of Generations: Business Culture of Contemporary Russia* (2009).

administrative reforms in the African organization are rarely undertaken and are perceived as being too risky to be worth the effort.<sup>79</sup>

It has been observed that few African firms maintain adequate records, which leads to difficulties in tracking operations and determining if the business is profitable.<sup>80</sup> In one survey, 21% of the African firms studied had no records at all and that when records were kept they were usually incomplete and inaccurate.<sup>81</sup> Gray suggested that one of the reasons for the poor performance of African entrepreneurs with respect to recordkeeping might be that traditional African culture relies on memory and the oral transmission of knowledge, as opposed to written records similar to those generally associated with modern business practices.<sup>82</sup>

Olson carried out an extensive study and analysis of corporate strategic planning processes in non-listed companies based in Gauteng, South Africa and identified several characteristics of those processes consistently applied among the respondents.<sup>83</sup> First of all, a majority of the companies reported that they believed that they had developed, implemented and managed their businesses through formalized business plans and associated strategies that covered both short-term objectives and long-term strategies. Second, a majority of the companies had established processes to support implementation and control of their strategic planning programs including efforts to prioritize and review goals and objectives and communicate with, and motivate, employees. Third, a majority of the companies reported that they had selected and implemented a specific strategic planning framework with the most common approach including a strategic vision, a mission, measurable objectives, measurable performance targets, plans and programs, implementation and review of new developments and opportunities, and corrective adjustments to the strategy in order to achieve maximum results. Fourth, a majority of the companies had integrated improvement programs into their strategic planning including customer focused programs, employee empowerment, lean productivity, total quality management (“TCM”), reengineering, just-in-time (“JIT”), six sigma and e-business programs. Finally, a majority of the companies had incorporated performance measures—financial, customer, product/service and employee—into their planning processes in order to manage and control the implementation of their strategies.

Odame carried out a study of the relevance of strategic planning for entrepreneurial businesses in South Africa using data collected from a sample of 300 small businesses identified by reference to various business directories.<sup>84</sup> Odame defined strategic

<sup>79</sup> T. Ndongko, “Management Leadership in Africa”, in M. Mwaura, E. Tiagha and J. Waiguchu, *Management of Organizations in Africa: A Handbook and Reference* (Westport, CT: Praeger, 1999), 99-124, 112-113.

<sup>80</sup> K. Gray, “Small Business Management in Africa: Prospects for Future Development”, in F. Edoho, *Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives* (Westport, CT: Praeger, 2000), 259-276, 264.

<sup>81</sup> *Id.*

<sup>82</sup> *Id.* at 263.

<sup>83</sup> The discussion in this paragraph is adapted from W. Olsen, *The Strategic Planning Process in Non-Listed Companies Based in Gauteng South Africa*, <https://ujdigispace.uj.ac.za/handle/10210/7731>.

<sup>84</sup> A. Odame, *The Relevance of Strategic Planning for Entrepreneurial Businesses in South Africa* (2009).

planning as the process of formulating broad and flexible long-term plans that give an organization a direction toward its envisioned future and concluded that there was a “higher prevalence of emergent strategies than prescriptive strategies among South Africa’s small businesses” and that the “strategic planning process of these businesses is a continuum of emergent strategies to prescriptive strategies with varying levels of use of strategic planning tools and techniques”.<sup>85</sup> Odame identified the existence of a business plan as an indicator of the formality of the strategic planning process and commented that those businesses that did have a business plan tended to use it as management tool. Other findings from the Odame study included confirmation of a positive relationship between formal strategic planning and growth and a positive relationship between the level of education of the entrepreneur/owner and the degree of formality of the strategic planning tools that were deployed. In general, the owners of the surveyed businesses were not averse to using formal strategic planning processes, although it was noted that formality would slow down decision making, and most recognized that at a minimum it was important for them to gather industry and competitor information.

### §1:17 Turkey

Turkey has been the subject of several recent studies regarding the use of strategic planning techniques. For example, Glaister et al. found a strong and positive relationship between formal strategic planning and firm performance in Turkey.<sup>86</sup> When discussing the reasons for these findings the researchers noted that Turkey was a candidate for membership in the European Union at the time their survey was conducted and thus presumably Turkish firms felt more pressure to find ways, such as formalized strategic planning rather than improvised and ad-hoc attempts at planning, to improve the competitiveness of their products and services domestically and internationally.<sup>87</sup> Interestingly, however, while there was evidence of formality with respect to strategic planning in Turkey, Dincer et al. found in another study that there was a lack of strong interest in using specific strategic planning techniques among Turkish firms as evidenced by survey results that indicated relatively little use of a broad range of tools and techniques for strategic analysis among the surveyed firms.<sup>88</sup>

In 2006, Dogan et al. studied characteristics of strategic planning activities carried out within about 400 manufacturing firms operating in Kocaeli, the second largest industrialized region of Turkey.<sup>89</sup> The researchers were not only interested in the current

<sup>85</sup> A. Odame, *The Relevance of Strategic Planning for Entrepreneurial Businesses in South Africa* (2009), 71-72. Prescriptive strategies are more formal while emergent strategies, as the name implies, “emerge” in a piecemeal fashion without a precise knowledge of outcomes or objectives. *Id.* at 2.

<sup>86</sup> K. Glaister, O. Dincer, E. Tatoglu, M. Demirbag and S. Zaim, “A Causal Analysis of Formal Strategic Planning and Firm Performance Evidence From an Emerging Country”, *Management Decision*, 46(3) (2008), 365.

<sup>87</sup> *Id.*

<sup>88</sup> O. Dincer, E. Tatoglu and K. Glaister, “The Strategic Planning Process: Evidence from Turkish Firms”, *Management Research News*, 29(4) (2006), 206.

<sup>89</sup> T. Dogan, L. Alpan, M. Elci and S. Aren, “Strategic Planning Activities of the Manufacturing Firms in Kocaeli, Turkey”, *Journal of Global Strategic Management*, 5 (June 2009), 97. The authors reported that 70% of the income generated with Kocaeli is industry-related and that the region contributes 14% of Turkey’s total manufacturing output, primarily in sectors such as chemicals, metals, machinery and

situation as it existed at the time they collected their information in 2006, but also in how strategic planning activities had changed since 1995 when a comparable survey had been done by Eren and several of the researchers who were also involved in the 2006 study.<sup>90</sup> Some of their key findings included the following:

- Most of the Turkish companies (40.3%) adopt a one to three year planning horizon. 18.6% of the respondents used a three- to five-year planning horizon and 14.1% of the respondents planned out beyond five years. The remainder of Turkish companies (27%) use a planning period of less than one year; however, given that the comparable percentage in the 1995 study was 34.7%, the overall planning horizon in Turkey had been extended since the mid-1990s.<sup>91</sup>
- While the planning horizon in larger firms (250+ employees) was significantly longer than in smaller firms (1-49 employees), 2.73 years versus 1.92 years, the average period of formal long-term planning in the larger firms was still not that long.
- The most common primary responsibilities for making strategy decisions were the general manager and/or vice general managers (28%) and the board of directors (27%). Authority and responsibility for decision making relating to strategic planning had become more decentralized since the mid-1990s and by 2006 the influence of general managers, vice general managers and centralized strategic planning department had been reduced in favor of more involvement from various stakeholders within the organization, such as operating units and outside consultants.<sup>92</sup>
- The typical experience and knowledge of those most prominently involved in strategic planning was manufacturing and purchasing (46.6%), followed by marketing/sales (32.5%) and accounting/finance (12.6%). Participation by specialists from research and development and human resources was far less prevalent.
- The most commonly used source of oral information for planning came from customers (28%). Since 1995, dependence on oral information from civil servants and politicians declined (21.2% to 14%), while there was an increase in the importance of information from customers (21.7% to 28%) and suppliers (8.1% to 13%). Distributors, retailers and dealers (15%) and competitors (14%) also remained significant sources of external information for planning activities.

---

automobile manufacturing. Respondents to the survey were primarily “upper managers” working in firms drawn from a wide range of sectors including chemicals, metal works, machinery, food, automobile manufacturing, pharmaceuticals, plastics, energy and machine tools. Id. at 98.

<sup>90</sup> E. Eren, S. Aren and L. Alpan, *Isletmelerde Stratejik Yonetim Faaliyetlerini Degerlendirme Arastirmasi*, Dogus Universitesi Dergisi, 1(1) (1995), 96.

<sup>91</sup> This was based not only on the reduction in the proportion of firms that did not plan out beyond one year, but also on the increase in the percentage of firms that planned for more than five years from 6.9% in 1995 to 14.1% in 2006. E. Eren, S. Aren and L. Alpan, *Isletmelerde Stratejik Yonetim Faaliyetlerini Degerlendirme Arastirmasi*, Dogus Universitesi Dergisi, 1(1) (1995), 96, 99.

<sup>92</sup> The researchers noted that a comparison of their findings in 2006 with the earlier study carried out in 1995 showed that the “dominance” of the general manager/vice general managers fell from 45% to 28% and that of the strategic planning department fell from 20.6% to 11%. During the same period, however, comparable percentages for the board of directors increased from 17.5% to 27% and the involvement of managers farther down in the organizational hierarchy (i.e., functional and operational units) and consultants increased from 15% to 34%. E. Eren, S. Aren and L. Alpan, *Isletmelerde Stratejik Yonetim Faaliyetlerini Degerlendirme Arastirmasi*, Dogus Universitesi Dergisi, 1(1) (1995), 96, 100.

- The commonly used source of written information for planning was the management information system (MIS) reports prepared internally within the firm (19%). Since 1995, there was a decrease in dependence on publications of chambers of commerce and industry (21.5% to 14%), governmental statistical compilations (23.9% to 10%) and journals and periodicals (16% to 8%); however, two new sources of information not used in 1995 grew in influence: official journal and regulations (10%) and consulting firm reports (10%).
- The most popular strategic goals (aggregating 45%) were growth related, including increasing total sales (15%), increasing market value (13%) and increasing market share (13%). Goals primarily related to operational and financial efficiency aggregated 35%, including cost reduction and total factor productivity (17%) and return on sales and return on equity (18%). Goals related to satisfaction were less important (aggregating 17%), including customer satisfaction (11%) and employee satisfaction (6%).

Efendioglu and Karabulut set out to extend the prior findings in the study conducted by Dincer et al. mentioned above by examining the nature and practice of strategic planning among 71 of the largest manufacturing firms in Turkey.<sup>93</sup> The researchers argued that it was important to study the evolution of strategic planning practices in a “developing transitional economy” such as Turkey since the results would provide important insights into how firms were coping with increased competitive pressures as the local economy was opened up to free market forces. They found that there had been a significant increase in the importance and use of strategic tools and processes in Turkey since the Dincer et al. study several years prior but that there were still key differences in the use of such tools and processes between local and foreign owned firms: “The findings clearly show that the foreign owned firms adopt a broader and deeper repertoire of tools and techniques of strategic planning than do local firms and they tend to believe that the strategy process is more deliberate than do local firms.”<sup>94</sup> Efendioglu and Karabulut, who advocated expanded use of strategic planning tools and processes, were encouraged to find that there was increased involvement of top management in planning among the local firms and that those firms were allocating more resources to planning and approaching it in a more formal manner.

### §1:18 Vietnam

Research regarding the processes of strategic planning in Vietnam has understandably focused on differences among the various types of enterprises active in the local marketplace including foreign investment commercial enterprises (“FICEs”), state-owned enterprises (“SOEs”), “equitized” (partial privatization) companies (“EQCs”) and local private companies (“LPCs”). For example, Quang and Dung compared the way that FICEs and SOEs approached the process of strategic planning.<sup>95</sup> They found that FICEs

<sup>93</sup> A. Efendioglu and A. Karabulut, “Acceptance and Use of Strategic Processes in Developing Countries”, *American Journal of Economics and Business Administration*, 1(2) (2009), 150.

<sup>94</sup> *Id.* at 158.

<sup>95</sup> T. Quang and J. Dung, “Human Resources Development in State-Owned Enterprises in Vietnam”, *Research & Practice in Human Resource Management*, 6(1) (1998), 95.

were much more likely to borrow from the practices of their parent companies and adopt strategic plans, along with formal personnel management practices such as regularly scheduled performance evaluations based on predetermined objective criteria, particularly the achieved of previously established performance targets.<sup>96</sup> On the other hand, while SOEs generally claimed to have some form of strategic plan, the researchers found that it usually took the form of a dialogue between supervisors and subordinates, an approach that was consistent with the socialist principle of egalitarianism and cultural desire to maintain harmony in the supervisor/subordinate relationship.<sup>97</sup> Thang and Quang, who were interested in comparing human resource management practices among the various types of Vietnamese enterprises found that EQCs adopted approaches to strategic planning that were closer to the FICEs; however, the process was slow given their background operating as an SOE.<sup>98</sup> With respect to LPCs Vo and Dinh found that they tended not to rely on strategic planning, but, if they did, they used informal planning for convenience sake and to save time and effort.<sup>99</sup> Thang and Quang argued that the approach taken by LPCs with respect to strategic planning was also explained by their lack of expertise in the methodology necessary to conduct more formal planning.<sup>100</sup>

One commentator writing specifically about the implementation of strategic management processes and techniques among Vietnamese construction firms noted at the outset that strategic management in general had received very little attention in Vietnam due in part to a broader societal cultural belief that there was little that people or companies could do about the future and that the future would be determined by God.<sup>101</sup> The commentator went on to describe a comparative study of strategic planning development and implementation in Vietnamese public and private contractors that uncovered evidence that public contractors typically operated under a mechanistic system with task-oriented leadership style that focused on rules and procedures while private contractors operated under an organic system with a relations-oriented leadership style that focused on relationships between the leader and the members and communication among the members. It was explained that public contractors are likely inclined toward a hierarchical culture due to their need for stability and efficiency and that private contracts are more interested in a marketing culture that facilitates pursuit and achievement of competitiveness and productivity. Specific issues and problems identified in the study with respect to improving strategic management among public contractors included the lack of managerial skills among strategic managers to monitor implementation strategies, the rigidity of rules and procedures and the limited networking structures within the

<sup>96</sup> K. Kamoche, "Human Resource in Vietnam: The Global Challenge", *Thunderbird International Business Review*, 43(5) (2001), 625.

<sup>97</sup> L. Thang and T. Quang, "Human Resource Management Practices in a Transitional Economy: A Comparative Study of Enterprise Ownership Forms in Vietnam", *Asia Pacific Business Review*, 11(1) (March 2005), 25, 28 and 34.

<sup>98</sup> Id.

<sup>99</sup> N. Vo and H. Dinh, *Use of Performance Appraisal in Private Enterprises in Ho Chi Minh City* (1997).

<sup>100</sup> L. Thang and T. Quang, *Human Resource Management Practices in a Transitional Economy: A Comparative Study of Enterprise Ownership Forms in Vietnam*, 11(1) *Asia Pacific Business Review* 25, 30 and 37 (March 2005).

<sup>101</sup> The discussion in this paragraph is adapted from *Strategic Management Implementation of Vietnamese Construction Organizations* (2011), <http://professionalprojectmanagement.blogspot.com/2011/05/strategic-management-implementation-of.html>

public contractors. Suggested solutions to these issues and problems included leadership and commitment by top management, changes to the organizational culture to facilitate communications and implementation of audit and evaluation procedures to monitor implementation of strategic plans.

Wholly apart from the techniques and practices that Vietnamese companies can use to improve their strategic management activities they must also be mindful of a variety of factors that will influence the decisions they make with regard to strategy. In a report released in 2012<sup>102</sup> the McKinsey Global Institute cautioned that Vietnamese companies need to tailor their strategies to expected trends in their selected markets—domestic or export—and the business sectors in which they are operating. For example, growth in domestic markets is expected to be slower than export markets and goals for particular business sectors will need to take into account the anticipated slowing of the expansion of the country’s labor force and the associated loss of the wage cost advantage that the country had been enjoying for several decades. McKinsey also noted that state-owned enterprises (“SOEs”) would need to find alternative sources of capital and adopt strategies and policies that would enable them to handle the challenges of increased competition including greater efficiency and productivity, improved management and better governance. It was also suggested that Vietnamese SOEs would need to recruit internationally trained experts to help with transforming their operations to become globally competitive and make hard decisions about which of their businesses should be retained as “core” and which should be abandoned. Finally, McKinsey warned Vietnamese companies to back away from their traditional strategies of competing primarily on price and begin to embrace new strategies based on product quality and branding that would allow them to seek and obtain premium pricing.

---

<sup>102</sup> McKinsey Global Institute, *Sustaining Vietnam’s Growth: The Productivity Challenge* (February 2012).