

**Strategic Decision Making by Small Firms in Turbulent Environments:
Case Studies from the Singapore Motor Vehicle Industry**

Wee-Ee Choo

Nanyang Technological University, Singapore

Email: awechoo@ntu.edu.sg

Tim Mazarol

University of Western Australia

Email: tim.mazarol@uwa.edu.au

Strategic Decision-Making by Small Firms in Turbulent Environments: Case Studies from the Singapore Motor Vehicle Industry

ABSTRACT

This study investigates the process of strategic and operational decision-making amongst small firms within turbulent environments. It examines the choices made by owner-managers in the allocation of limited resources to strategic and operational activities targeting growth and survival. Of particular interest is how these owner-managers make trade-off decisions to find a balance between strategic and operational level planning. The paper is the first stage of a larger research study and offers a conceptual model of the effects of management on the implementation of such plans with particular emphasis on risk perception and entrepreneurial orientation.

Keywords: managing change, entrepreneurial strategy, small and medium sized enterprises.

INTRODUCTION

A challenge for owner-managers of small to medium enterprises (SMEs) is the need to juggle the often competing issues of strategic and operational planning. This is a paradoxical challenge because implementing strategic plans helps to achieve long-term objectives whereas executing the operational plans helps the firm to meet short-term goals. However, while meeting short-term goals may allow owner-managers to survive in the immediate future, failing to implement strategic activities can pose serious threats to the firm's longer-term survival. In certain circumstances, small firms may be more inclined to turn towards operational activities that allow a more easily determined performance outcome that is likely to contribute to the firm's immediate needs. Yet in a rapidly changing environment, owner-managers need to effectively implement both strategic and operational plans that consider environmental opportunities and threats, plus changing environmental trends.

One explanation for underperformance in firms is insufficient focus and effort by the management in executing their strategic plans (Amburgey and Dacin 1994; Freedman 2003; Okumus 2003; Mankins and Steele 2005). In today's increasingly uncertain environments it is no longer easy for owner-managers to decide how to implement strategic and operational plans such that both personal and organisational objectives can be simultaneously achieved. Owner-managers find themselves having to deal with complex environmental issues that are juxtaposed with paradoxical personal preferences. For example, owner-managers often struggle to achieve a satisfactory work-life balance when allocating time to spend with family and the demands of business (Hankinson 2000).

This study seeks to understand the strategic behaviour of owner-managers from small firms, recognising that the process involves interplay between the firm's task environment, organisational configuration and managerial characteristics (D'Amboise and Muldowney 1988). The strategic acumen and personal commitment to strategic growth of the owner-manager are key factors that will influence the planning process (Gibb and Scott 1985) as well as the level of perceived risk and complexity the owner-manager perceives within the task environment (Mazzarol and Reboud 2009). It recognises that SMEs play an important role in job creation and economic growth (Asquith and Western 1994; OECD 2005; OECD 2010). We define SMEs as firms with less than 250 employees and under €50 million annual turnover (OECD 2004). The focus of this study is on three case studies of SME owner-managers in the Singaporean motor vehicle industry.

LITERATURE REVIEW

Planning and strategy development in SMEs has been studied for at least the past thirty years (Robinson and Pearce 1984; Bracker et al 1988; Alpander et al 1990; Lussier and Pfeifer 2001; Baker 2003; Maes et al 2005). Strategic planning is viewed as related to enhanced performance (Noble 1999; Varadarajan 1999; Hubbard et al 2002; Christensen et al 2003; Homburg, Krohmer, Workman 2004; Helfat et al 2007). Early research by Robinson and Littlejohn (1981) suggested that a positive relationship exists between short-term informal planning and performance in small firms, yet subsequent studies (e.g. Shuman et al 1985; Yusuf and Saffu 2005) found no linkage between planning and firm performance. The complexity of planning and strategy in SMEs has been noted by others (Robinson et al 1984; D'Amboise and Muldowney 1988; Mazzarol and Reboud 2009), requiring a deeper understanding of the interplay between the three elements of the firm, its owner-manager and their task environment.

The formulation of strategy is more an art than a science and requires a careful crafting based upon the resources available to the firm (Mintzberg et al 2003). Strategy is also difficult to define and requires the resolution of numerous paradoxes before competitive advantage can be achieved (DeWit and Meyer 2010). There is no universal approach to strategic planning, although its implementation within larger firms typically occurs through various inter-linked operational plans, goals and policies

(Mintzberg et al 2003). Strategic planning can include the setting of vision and mission statement, and the formulation of grand strategies that entail the organisation to take risks and commit resources. By contrast operational plans are loosely referred to as “business tactics” referring largely to the “details” of executing the strategic plan (von Clausewitz 1976 p.128 cited in Mintzberg et al 2003). Some examples of the “details” are budgeting, benchmarking, pricing, inventory controlling, in-house training, marketing and sales plans. All in all, the objectives of strategic and operational plans are to advance an organisation respectively towards long-term and short-term goals.

Key studies focusing on operational planning within SMEs (e.g. Shrader et al 1989; Matthews and Scott 1995; Robinson and Pearce 1984; Kraus et al 2005) suggest that it is generally short term in nature (approximately 1 year), focus on finances, budgets, sales and production issues. It can be both formal and informal, but is often more informal due to lack of time and resources. By contrast studies of strategic planning in SMEs (e.g. Bracker and Pearson 1986; Shrader et al 1989; Baker 2003), suggest that strategic planning is long term (typically 3 to 5 years), and more formal in nature with use of strategy tools (e.g. SWOT Analysis, mission statements).

Strategic Planning Response Framework

The owner-managers of small firms are constantly challenged with the dilemma of balancing the allocation of limited resources to implement strategic and operational plans, which are typically informal and intuitive in nature. Success to the owner-manager is meeting the objectives of both personal and organisational goals through the execution of strategic and operational plans that take their resources, traits and priorities into consideration. As discussed, in uncertain task environments, it is important to understand the antecedent events that lead to the implementation of these plans. This is because a clear understanding of the antecedents helps owner-managers to consider their constraints both in crafting strategies that best capture transitory opportunities and in effectively executing the strategic and operational plans.

Most of the literature on strategic planning theory is based on large companies (Robinson, 1982). These studies are not directly applicable to small firms. Few have considered the role of perceived risk and entrepreneurial orientation in influencing how the owner-managers of small firms plan, even less so on the implementation of both the strategic and operational plans. Bracker and

Pearson (1986) recommended a model with four distinct types of planning (viz., unstructured, intuitive, structured operational and structured strategic) that provides a clear understanding of how various organisational factors could influence the choice of planning that small firms adopt. Bracker and Pearson's (1986) typology was developed further by Mazzarol and Reboud (2009) who proposed a conceptual framework of potential planning responses for SMEs when facing different levels of organisational complexity and uncertainty within their task environment (See Figure 1). This provides a typology of four planning responses. The 'shopkeeper', focused primarily on informal, operational plans for dealing with simple-certain scenarios. The next are the 'administrator', who adopts formal operational planning in the face of complex-certain scenarios, and the 'salesman' who responds to a simple-uncertain scenario with informal, intuitive strategic planning. Finally there is the 'CEO' who responds to complex-uncertain situations with formal strategic planning.

<INSERT FIGURE 1 ABOUT HERE>

This framework synthesises the management theory of small firms (D'Amboise and Muldowney, 1988), organisational strategic posture (Miles and Snow, 1978), organisational design (Mintzberg, 1980); small firm's task environments (Gibb and Scott, 1985), and the appropriate planning response (Bracker and Pearson, 1986). These strategic planning responses also conform to the strategic posture types originally formulated for larger firms by Miles and Snow (1978) which have been applied to small firms (Gimenez, 2000). This paper adopts the Mazzarol and Reboud (2009) framework in studying how and why owner-managers implement the strategic and operational plans in the way they do in uncertain task environments. As noted by Mazzarol and Reboud (2009), there are two important antecedents that influence the planning behaviour of owner-managers in small firms. These are risk perception and entrepreneurial orientation.

The Role of Risk Perception and Entrepreneurial Orientation

Many studies support the notion that perceptual differences amongst managers can affect the formulation of policy decisions (Miles and Snow 1978; Duncan 1972). These studies imply that risk perception of owner-managers might be critical to the type of planning the firms choose to undertake. Strategy is crucial to organisational performance. However, knowledge about the processes through

which management determines strategies in the first place should be considered equally pressing (Anderson and Paine, 1975). Therefore, it is important to investigate the results of managerial perceptual activities that attribute to both the intention and manifestation of strategy.

Risk behaviour in entrepreneurs is understood to be a function of risk propensity and risk perception (Sitkin and Pablo 1992). A risk-averse decision-maker is more likely to attend to and weigh negative outcomes (Schneider and Lopes, 1986). Conversely, a risk-seeking decision-maker will attend to and weigh positive outcomes more highly and, thus, will tend to overestimate the probability of gain relative to the probability of loss (Brockhaus, 1980; Vlek and Stallen, 1980). A cause but negative relationship appears to exist between risk propensity and risk perception (Sitkin and Weingart 1995). Further, there seems to be little fundamental difference between entrepreneurs and non-entrepreneurs in terms of risk propensity, rather it is their perception of risk that appears to be different (Brockhaus 1982; Palich and Bagby 1995). Entrepreneurs are considered to possess an overly optimistic perception of risk (Cooper, Woo, and Dunkelberger 1988). Decision-making over strategic choices requires an evaluation of risk-return trade-offs (Ansoff 1988), and a manager's perception of the level of environmental uncertainty and potential risk is therefore influential in their strategic planning process (Matthews and Scott 1995). Empirical measures for risk perception have been developed (e.g. Weber, Blais and Betz 2002). However, these have not been applied to SME owner-managers to any significant extent (Gilmore, Carson and O'Donnell 2004). Xie et al (2011) examined entrepreneurial risk-based decision-making using systems dynamics analysis, and Podynitsyna, Van der Bij and Song (2012) examined the role played by emotions on entrepreneurial risk perception. These papers support the work of Sitkin and Weingart (1995) that suggests risk perception amongst entrepreneurs is important to their risk-taking behaviour, and that risk propensity is not fixed but evolutionary, being shaped by their past experience.

Entrepreneurial orientation (EO) refers to firms that engage in product market innovation, undertake somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch (Miller 1983). It has been the subject of considerable research and measures have been developed for the concept (Covin and Slevin 1989; Perry 1990; Miles and Arnold 1991; Caird 1993; Merz and Sauber 1995; Lumpkin and Dess 1996; Certo et al 2009). However, this

literature broadly recognises that the key components are innovativeness, risk-taking and proactiveness. Strategic choice and planning behaviour is influenced by senior manager characteristics (Hambrick and Mason 1984; Hambrick 1987, Norburn and Birley 1988; Pleitner 1989), and the personality of the CEO (Miller and Droge 1986; Miller and Toulouse 1986). Within SMEs it is the characteristics, personality and EO of the owner-manager that determines how they plan and respond to strategic change (Bracker and Pearson 1986; Ennew et al 1994; Merz and Sauber 1995; Frese et al 2000; Messeghem 2003). The EO found within the firm's top management team seems to be related to how well it performs (Lumpkin and Dess 1996) and also how it is organised (Wiklund and Shepherd 2003). EO seems to be associated with firm performance both positive and negative due to its close association with risk-taking (Wiklund and Shepherd 2011).

Linking Risk Perception, EO and the Strategic-Operational Plans

From the above discussion, it is reasonable to suggest that owner-managers with high EO are often characterised by greater risk-taking behaviour as they seek to exploit perceived opportunities and search for growth. These firms may be more likely to engage in strategic planning as they venture into the uncertain task environment. Meanwhile, owner-managers with low EO are unlikely to exhibit high risk behaviour and thus less likely to engage in strategic planning. Rather, they will stick to executing operational plans. From these discussions, it is suggested that there is a positive relationship between EO and risk-taking behaviour, and a negative one between risk perception and risk behaviour. Given that the risk-taking trait is a common element shared in both relationships, it seems appropriate to investigate the moderating effect of EO on the relationship between risk perception and type of planning a firm adopts. The definitions of formal¹ and informal² planning are adopted from McKiernan and Morris (1994 p. S37). Owner-managers' traits and the complexity of organisational configuration influence the formality in planning (Unni 1984; Carland et al 1989). Specifically, Carland et al (1989) concluded that owner-managers with formal plans tend to have higher risk proclivity and an inclination towards innovation. Formality in planning is linked with multiple levels

1 "The setting of specific objectives, the calculation of targets and the conception of detailed strategies to achieve them, the whole process being continually monitored by the use of a suitable management control system."

2 The reliance solely on experience and intuition for planning ahead.

of management. Small firms are more likely to engage in informal operational planning rather than strategic planning.

METHODOLOGY

Three SME case studies were developed for this study with each firm selected from within the Singaporean motor vehicle industry. The selection of this industry was due to its turbulence as an industry environment in recent years, and the key units of analysis for the cases were the owner's strategic decision-making and planning responses, plus their entrepreneurial orientation and risk perception. As proposed by Eisenhardt (1989) the selection of cases should be driven by theoretical rather than a random sampling approach. Her process of building theory from case study research was used as framework for the study's methodology. Also guiding the methodology was Yin's (1982; 1989) recommendations for case study development. This involved the use of a case study protocol and the piloting of an initial case then the completion of the remaining three cases. A critical incident technique (CIT) was also used in the interview process to track the strategic decision-making of the owner-manager over the time period spanning from 2002 to 2012, a period encompassing significant changes to the industry and including the Global Financial Crisis (GFC). The CIT methodology has been used successfully to examine longitudinal data from interviewees and where managerial problems and theory development are concerned (Flanagan 1954; Keaveney 1995). The key research questions guiding these cases were: What is the level of formality associated with operational and strategic planning within these SMEs? What are the key environmental factors and events that could trigger an owner-manager to implement the operational and/or strategic plans differently? How significant is risk perception in influencing strategy implementation? If the influence of perceived risk is not significant, what else could be? Does entrepreneurial orientation moderate the owner-manager's perceived risk within uncertain environments, and if so, how? Finally, does organisational configuration affect the actual implementation of strategies when SMEs are subjected to environmental changes and if so, how?

The interviews were undertaken by trained interviewers using the discussion protocol. All interviews were audio recorded and held in Chinese or local dialects as well as English. The case

study protocol was translated into multiple languages and attention was given to accuracy in translation and the meaning of words used in the question items. The three cases examined here were selected for their ability to provide good longitudinal data for the time period under examination.

Background to the Singapore Motor Vehicle Industry

This industry was selected due to the significant environmental turbulence that it has experienced over recent years. Highly volatile environments are defined as those in which the firm interacts with a number of environmental elements that fluctuate in a rapid manner (Samson and Daft 2009), and this has been the case for Singapore's motor vehicle industry. This industry is fairly large and encompasses manufacturing, distribution and service. There are around 60 brands of car sold in Singapore and some 40 distributors for a small market. The government has heavily regulated car ownership, the importation of motor vehicles and their sale and distribution. There are an estimated 644 firms operating in the industry and almost all of which are SMEs. Figure 2 shows an historical timeline of the Singaporean automotive industry. Key environmental changes over the period from 2002 to 2012 were: the reduction in import duties (2002); taxation rules to encourage "green" vehicles (2005); changes to motor vehicle lifespan (2006); rising fuel costs (2007); increases in car licencing (2009); and disruptions on the MRT public transport system (2011). Government action to reduce car ownership via increasing costs of ownership and road use led to significant falls in the rate of car sales, for new cars in particular.

<INSERT FIGURE 2 HERE>

Description of the case study firms

Table 1 provides a description of the three case study firms selected as pilot cases for what will eventually be a larger study. These have been given pseudonyms in order to protect their identity. The names: the "*Tech Salesman*", the "*Ferrari Salesman*" and the "*EM Shopkeeper*". These names have been derived from their strategic planning profiles as per Figure 1. It can be seen from Table 1 that all three firms were small and managed in a very "hands-on", personal way by the firms' owner-managers who did not employ professional managers within the business to undertake planning and strategy. All strategic decision-making and any planning (formal and informal) was undertaken by

(S\$91,000 in April 2012) led car owners to retain their vehicles longer, thereby providing more opportunities for firms engaged in repair and maintenance. This led *Tech Salesman* to take the decision to employ two additional staff in anticipation of more car maintenance business going forward. Both the *Tech Salesman* and the *Ferrari Salesman* expected more business with the rising cost of COEs since their businesses were targeted at older cars requiring more maintenance work (e.g. repair or detailing). New cars are typically given free workshop servicing and warranties that cover up to three years. In anticipation of this rise in car ownership costs, *Ferrari Salesman* opened a maintenance and repair service for luxury cars. These intuitive but strategic planning responses by the two “Salesmen” firms contrast with the lack of activity by *EM Shopkeeper* who considered it too risky to employ additional staff. This owner’s approach to dealing with such market uncertainty was to simply work harder as evidenced by his business being open seven days a week. He was largely indifferent to uncertainty and had a lower risk tolerance than the other two owners. A status-quo mindset in relation to environmental turbulence was a characteristic of *EM Shopkeeper*. This contrasts with the other two owners who were more alert to the potential impact of the COE policy decision, but saw it as an opportunity rather than a threat to their businesses.

All three firms had simple organisational structures as evidenced by their small workforce. Each owner-manager or their family members had direct influences over strategic decisions and their implementation. However, the owner-managers had different approaches to how they managed their human resources. Some viewed their employees as strategically important to their firms’ success. For example, the workshop supervisor in *Tech Salesman* was described as “indispensable”. Yet the owner of *EM Shopkeeper* did not see any employee as indispensable. However, the owners were seemingly successful as team leaders in their firm and displayed both integrity and fairness as managers. The owner of *Ferrari Salesman* sought to help his workforce achieve a “work-life balance”, as he felt this was a way to ensure that his staff could work in the company for a long-time. He used Cantonese within the business as his workforce was comfortable with this language. It helped generate a feeling of “family togetherness” within the firm. He also sponsored company tours for his staff to bond and gain new experiences. In the visit to his business he was observed communicating with employees in a very cordial manner regardless of their level.

An important part of these owner-managers' assessment of market uncertainty appears to be their ability to use personal networks to gather information with which to assess potential risks. For example, *Ferrari Salesman* had strong contact with his leading customers who were wealthy owners of luxury cars. This gave him first-hand information on market trends and a more strategic perspective. The use of outsiders to assist the owner-manager has been recognised for many years (Robinson 1982), and the use of lead customers to help spot opportunities and shape future strategy has also been observed in past studies (Choi and Shepherd 2004; Mazzarol and Rebound 2005). The network of lead customers developed by the owner-manager of *Ferrari Salesman* encouraged him to grow the business and diversify into new services (e.g. workshop repairs and maintenance, new products for car cleaning and detailing). Both the *Tech Salesman* and *EM Shopkeeper* owners used their business associates and in the latter case suppliers, to keep abreast of market changes or in the recruitment of new employees. This is consistent with earlier research into the need by small firms to seek this type of informal support from outsiders (Cromie 1991).

However, as outlined earlier the owners of *Ferrari Salesman* and *Tech Salesman* were more strategic in their planning responses than the owner of *EM Shopkeeper*, even though they were largely intuitive and informal in the approach to this. *EM Shopkeeper* was operational in his approach. The risk perception displayed by these owner-managers does appear to influence their planning responses. In terms of environmental uncertainty their ability to seek information from customers and suppliers on an informal basis helped to shape their sense of the potential opportunities and threats. Yet their simple structures and focus on doing what they know they can do reduced their sense of complexity in the task environment. Only *Ferrari Salesman* had seen complexity increase as he first grew the firm and then sought to diversify, which influenced his transition from "Shopkeeper" through "Administrator" then to "CEO" and finally to "Salesman". His higher EO characteristics meant that this owner-manager was more likely to take what he viewed as calculated risks and to launch into new products and services. Yet he viewed such risks as controllable due to his close contact with leading customers and his perceived sense of what their needs were. His risk-taking was controlled because he could rely on the income stream from his existing business operations. Observations of the owner's behaviour suggested that he was spending around 40% of this time engaged in strategic issues,

specifically related to helping employees work towards achieving the firm's goals. His more strategic behaviour appears to reflect the experience he had with growing the business and seeking formal outside assistance, even though he did not see the formal strategic planning he did as ultimately useful.

CONCLUSIONS

In conclusion, the antecedents to these owner-managers' decisions that lead to their strategic and operational planning are crucial considerations in understanding how and why strategies were implemented. The cases support the typology proposed by Mazzarol and Reboud (2009) and further demonstrate the role played by EO and risk perception in shaping how formal such planning becomes. The simple organisational structure of these firms reduces the overall level of complexity within the owner's task environment and their boundary spanning with lead customers and key suppliers helps them moderate any perceived risk by obtaining information useful to their assessment of potential threats and opportunities. However, the mindset of the owner-manager, as evidenced by the case of *EM Shopkeeper* may lead them to ignore or at least fail to assess potential risks due to indifference towards environmental volatility.

This study is preliminary and involves some initial findings from three pilot cases and has several limitations. First, it is retrospective in nature and relies on the memories of these owners, which may have become distorted over the passage of time. Due to time limitations it was not possible to trace their actual behaviour over the entire time period and relied on only the owner's self-reported behaviour in most instances. Second, while this study looked into EO and risk perception as the key antecedents to the owner-manager's planning behaviour, formal measures of these constructs were not used. Future case study data collection will seek to make use of modified EO and risk perception scales in a short questionnaire. Finally, given the specific context of this study (e.g. Singapore's motor vehicle industry), future research in other industries and across geographical boundaries might be useful for greater generalisation as the findings of this research are expected to be relevant to these industries too.

REFERENCES

- Alpander, G.G., Canter, K. and Forsgren, R.A. (1990). 'Managerial Issues and Problem-Solving in the Formative Years' *Journal of Small Business Management* **28**(2): 9-18.
- Amburgey, T. L. and Dacin, T. (1994). 'As the Left Foot Follows the Right? The Dynamics of Strategic and Structural Change' *Academy of Management Journal* **37**(6): 1427-1452.
- Anderson, C. R., and Paine, F. T. (1975) 'Managerial Perceptions and Strategic behaviour' *Academy of Management Journal* **78**(4): 811-823.
- Ansoff, H. I. (1988). *The New Corporate Strategy*. New York: Wiley.
- Asquith, D., and Western, J. (1994). 'Small Business, Growth Patterns and Jobs' *Business Economics* **29**(3): 31-34.
- Baker, G. A. (2003). 'Strategic Planning and Financial Performance in the Food Processing Sector' *Review of Agriculture Economics* **25**(2): 470-482.
- Bracker, J. S., and Pearson, J. N. (1986). 'Planning and Financial Performance of Small, Mature Firms' *Strategic Management Journal* **9**(6): 503-522.
- Bracker, J. S., Keats, B. W., and Pearson, J.N. (1988). 'Planning and Financial Performance Among Small Firms in a Growth Industry' *Strategic Management Journal* **9**(6): 591-603.
- Brockhaus, R. H. (1982). 'The Psychology of the Entrepreneur' In Kent, C. A., Sexton, D. L., and Vesper, K. H. (Eds.), *Encyclopedia of Entrepreneurship*. Englewood Cliffs, N.J.: Prentice-Hall, 39-57.
- Brockhaus, R.H. (1980). 'Risk Taking Propensity of Entrepreneurs.' *Academy of Management Journal* **23**(3): 509-520.
- Caird, S. (1993). 'What do Psychological Tests Suggest about Entrepreneurs?' *Journal of Managerial Psychology* **8**(6): 11-20.
- Carland, J.W., Carland, J.A.C., and Ashby, C.D. (1989). 'An Assessment of the Psychological Determinants of Planning in Small Businesses.' *International Small Business Journal* **7**(7): 23-34.
- Certo, S.T., Moss, T.W., and Short, J.C. (2009), 'Entrepreneurial Orientation: An Applied Perspective' *Business Horizons* **52**: 319-324.
- Choi, Y.-R., and Shepherd, D.A. (2004). "Entrepreneurs' Decisions to Exploit Opportunities." *Journal of Management* **30**(6): 377 - 395.
- Christensen, C. M., Raynor, M. E., and Anthony, S. D. (2003). 'Six Keys to Creating New-Growth Businesses' *Harvard Management Update*, **8**(1): 3-6.
- Cooper, A. C., Woo, C.Y. and Dunkelberger W.C. (1988). 'Entrepreneurs' Perceived Chances for Success' *Journal of Business Venturing* **3**(2): 97-108.
- Covin, J. G., and Slevin, D. P. (1989). 'Strategic Management of Small Firms in Hostile and Benign Environments' *Strategic Management Journal* **10**(1): 75-87.

- Cromie, S. (1991). "The Problems Experienced by Young Firms." *International Small Business Journal* **9**(4): 43 - 61.
- D'Amboise, G. and Muldowney, M. (1988). 'Management Theory for Small Business: Attempts and Requirements' *The Academy of Management Review* **13**(2): 226-240.
- DeWit, R. and Meyer, B. (2010) *Strategy: Process, Content, Context, An International Perspective*, (4th Ed.). Hamshire, UK: Cengage Learning.
- Duncan, R. B. (1972). 'Characteristics of Organizational Environments and Perceived Environmental Uncertainty' *Administrative Science Quarterly* **17**(3): 313-327.
- Eisenhardt, K. (1989). "Building Theory from Case Study Research." *Academy of Management Review* **14**(4): 532-550.
- Ennew, C., Robbie, K., Wright, M., and Thompson, S. (1994). 'Small Business Entrepreneurs and Performance: Evidence from Management Buy-ins' *International Small Business Journal* **12**(4): 28-44.
- Flanagan, J.C. (1954) "The Critical Incident Technique", *Psychological Bulletin*, **51**(4): 327-358.
- Freedman, M. (2003). 'The Genius is in the Implementation' *Journal of Business Strategy* **24**(2): 26-31.
- Frese, M., van Gelderen, M., and Ombac, M. (2000). 'How to Plan as a Small Scale Business Owner: Psychological Process Characteristics of Action Strategies and Success' *Journal of Small Business Management* **38**(2): 1-18.
- Gibb, A., and Scott, M. (1985). 'Strategic Awareness, Personal Commitment and the Process of Planning in the Small Business' *The Journal of Management Studies* **22**(6): 597-632.
- Gilmore, A., Carson, D., and O' Donnell, A. (2004). "Small business owner-managers and their attitude to risk." *Marketing Intelligence & Planning* **22**(3): 349-360.
- Gimenez, A.P. (2000). 'The Benefits of a Coherent Strategy for Innovation and Corporate Change: A Study of Miles and Snow's Model in the Context of Small Firms.' *Creativity and Innovation Management* **9**(4): 235-244.
- Hambrick, D. C. (1987). 'The Top Management Team: Key to Strategic Success' *California Management Review* **30**(1): 88-108.
- Hambrick, D. C., and Mason, P. A. (1984). 'Upper Echelons – The Organization as a Reflection of its Top Managers' *The Academy of Management Review* **9**(2): 193-206.
- Hankinson, A. (2000). "The Key Factors in the Profiles of Small Firm Owner-Managers that Influence Business Performance. The South Coast Small Firms Survey, 1997-2000." *Industrial and Commercial Training* **32**(3): 94-98.
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., Teece, D. J., and Winter, S.G. (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Malden, MA: Blackwell Publishing.

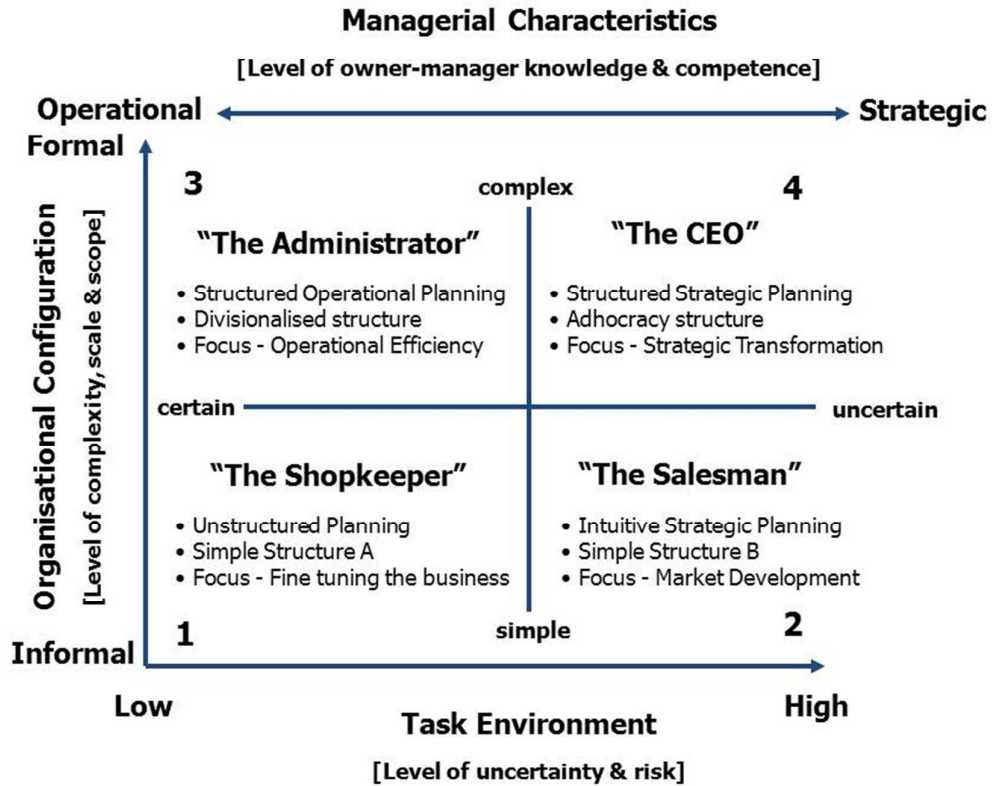
- Homburg, C., Krohmer, H., and Workman Jr, J. P. (2004). 'A Strategy Implementation Perspective of Market Orientation' *Journal of Business Research* **57**(12): 1331-1340.
- Hubbard, G., Samuel, D., Heap, S., and Cocks, G. (2002). *The First XI: Winning Organisations in Australia*. Milton, Qld: John Wiley & Sons.
- Keaveney, S.M., 1995. Customer switching behavior in service industries: an exploratory study. *Journal of Marketing*, **59**(2): 71–82.
- Kraus, S., Schwarz, E. J., and Reschke, C. H. (2005). Strategic Planning as a Prerequisite for Growth and Success in SMEs – Literature Review and Implications. *DRUID Tenth Annual Summer Conference on Dynamics of Industry and Innovation: Organizations, Networks and Systems, Copenhagen, Denmark 27-29 June 2005*.
- Lumpkin, G. T., and Dess, G. G. (1996). 'Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance' *Academy of Management Review* **21**(1): 135-172.
- Lussier, R.N. and Pfeifer, S. (2001). 'A Cross-national Prediction Model for Business Success' *Journal of Small Business Management* **39**(3):228-239.
- Maes, J., Sels, L., and Roodhooft, F. (2005). 'Modeling the Link between Management Practices and Financial Performance. Evidence from Small Construction Companies' *Small Business Economics* **25**(1): 17-34.
- Mankins, M.C. and Steele, R. (2005). 'Turning Great Strategy into Great Performance' *Harvard Business Review* **83**(7): 64-72.
- Matthews, C. G., and Scott, S. G. (1995). 'Uncertainty and Planning in Small and Entrepreneurial Firms: An empirical assessment' *Journal of Small Business Management* **33**(4): 34-52.
- Mazzarol, T., and Reboud, S. (2009). *The Strategy of Small Firms – Strategic Management and Innovation in the Small Firm*, UK: Edward Elgar Publishing Limited.
- Mazzarol, T., and Reboud, S. (2005). "Customers as predictors of rent returns to innovation in small firms - an exploratory study." *International Journal of Entrepreneurship and Innovation Management* **5**(5/6): 483-494.
- McKiernan, P., and Morris, C. (1994). 'Strategic Planning and Financial Performance in UK SMEs: Does Formality Matter?.' *British Journal of Management* **5**(1): 31-41.
- Merz, G. R., and Sauber, M. H. (1995). 'Profile of Managerial Activities in Small Firms' *Strategic Management Journal* **16**(7): 551-564.
- Messeghem, K. (2003). 'Strategic Entrepreneurship and Managerial Activities in SMEs' *International Small Business Journal* **21**(2): 197-121.
- Miles, M. P., and Arnold, D. R. (1991). 'The Relationship Between Marketing Orientation and Entrepreneurial Orientation' *Entrepreneurship Theory and Practice* **15**(4): 49-65.
- Miles, R. E., and Snow, C. C. (1978). *Organizational Strategy, Structure and Process*. New York: McGraw-Hill.

- Miller, D. (1983). 'The Correlates of Entrepreneurship in Three Types of Firms' *Management Science* **29**(7): 770-791.
- Miller, D., and Droge, C. (1986). 'Psychological and Traditional Determinants of Structure' *Administrative Science Quarterly* **31**(4): 539 -560.
- Miller, D., and Toulouse, J. M. (1986). 'Chief Executive Personality and Corporate Strategy and Structure in Small Firms' *Management Science* **32**(11): 1389 -1409.
- Mintzberg, H. (1980). 'Structure in 5's: A Synthesis of the Research on Organization Design.' *Management Science* **26**(3): 322-341.
- Mintzberg, H., Lampel, J., Quinn, J.B. and Ghoshal, S. (2003). *The Strategy Process: Concepts, Contexts and Cases*, (4th ed.). Upper Saddle River, New Jersey: Pearson Prentice Hall.
- Noble, C. H. (1999). 'The Eclectic Roots of Strategy Implementation Research' *Journal of Business Research* **45**(2): 119-134.
- Norburn, D., and Birley, S. (1988). 'The Top Management Team and Corporate Performance' *Strategic Management Journal* **9**(3): 225-238.
- OECD (2004). *SME Statistics: Towards a more systematic statistical measurement of SME behaviour*. Promoting Entrepreneurship and Innovative SMEs in a Global Economy, Istanbul, Turkey 3-5 June, Organisation for Economic Co-operation and Development, Paris.
- OECD (2005). *OECD SME and Entrepreneurship Outlook: OECD Paris*, page 17. Retrieved December 10, 2010 from <http://stats.oecd.org/glossary/detail.asp?ID=3123>.
- OECD (2010). *SMEs, Entrepreneurship and Innovation*. Paris, Organisation for Economic Co-operation and Development.
- Okumus, F. (2003). 'A Framework to Implement Strategies in Organizations' *Management Decision* **41**(9): 871-882.
- Palich, L. E., and Bagby, D. R. (1995). 'Using Cognitive Theory to Explain Entrepreneurial Risk-taking: Challenging Conventional Wisdom' *Journal of Business Venturing* **10**(6): 425-438.
- Perry, C. (1990). 'After Further Sightings of the Heffalump' *Journal of Managerial Psychology* **5**(2): 22-32.
- Pleitner, H. J. (1989). 'Strategic Behavior in Small and Medium-Sized Firms: Preliminary Considerations' *Journal of Small Business Management* **27**(4): 70-75.
- Podoyntsina, K., Van Der Bij, H., and Song, M. (2012). "The role of mixed emotions in the risk perception of novice and serial entrepreneurs." *Entrepreneurship Theory and Practice* **36**(1): 115-140.
- Robinson, Jr. R. B., and Littlejohn, W. F. (1981). 'The Impact of Formalized Strategic Planning on Financial Performance in Small Organizations' *Strategic Management Journal* **4**(3): 197-207
- Robinson, R. B., (1982). 'The Importance of 'Outsiders' in Small Firm Strategic Planning' *The Academy of Management Journal* **25**(1): 80-93.

- Robinson, R. B., and Pearce, J. A. (1984). 'Research Thrusts in Small Firm, Strategic Planning' *Academy of Management Review* **9**(1): 128-137.
- Robinson, R.B. Jr, Pearce II, J.A., Vozikis, G.S., and Mescon, T.S. (1984), 'The Relationship Between Stage of Development and Small Firm Planning and Performance' *Journal of Small Business Management* **22**(2): 45-52.
- Samson, D. and Daft, R.L. (2009) *Management*, South Melbourne, Cengage Learning.
- Schneider, S.L. and Lopes, L.L. (1986). 'Reflections in Preferences Under Risk: Who and When May Suggest Why' *Journal of Experimental Psychology: Human Perception and Performance* **12**(4): 535-548.
- Shrader, C. B., Mulford, C. L., and Blackburn, V. L. (1989). 'Strategic and Operational Planning, Uncertainty and Performance in Small Firms' *Journal of Small Business Management* **27**(4): 45-61
- Shuman, J.C., Sussman, G., and Shaw, B. (1985). 'Business Plans and The Start-up of Rapid Growth Companies' *Long Range Planning* **18**(6): 48-53.
- Sitkin, S. B. and Pablo, A. L. (1992). 'Reconceptualizing the Determinants of Risk Behavior' *Academy of Management Review* **17**(1): 9-39.
- Sitkin, S. B., and Weingart, L. R. (1995). 'Determinants of Risky Decision-making Behaviour: A Test of Mediating Role of Risk Perceptions and Propensity' *Academy of Management Journal* **38**(6): 1573-1592.
- Unni, V.K. (1984). "An Analysis of Entrepreneurial Planning." *Managerial Planning* **33**(1): 51-54.
- Varadarajan, P. R. (1999). 'Strategy Content and Process Perspectives Revisited' *Journal of the Academy of Marketing Science* **27**(1): 88-100
- Vlek, C., and Stallen, P. J. (1980). 'Rational and Personal Aspects of Risk' *Acta Psychologica* **45**(1): 273-300.
- Wiklund, J., and Shepard, D. (2003). 'Knowledge-Based Resources, Entrepreneurial Orientation, and the Performance of Small and Medium-Sized Businesses' *Strategic Management Journal* **24**(1): 1307-1314.
- Xie, K.-F., Chen, G., Wu, D.-D., Luo, C., and Wu, Q. (2011). "Entrepreneurial team's risk-based decision-making: A dynamic game analysis." *International Journal of Production Economics* **134**(1): 78-86.
- Yin, R. K. (1982). "Studying Phenomenon and Context Across Sites." *The American Behavioral Scientist* **26**(1): 84-101.
- Yin, R. K. (1989). *Case Study Research: Design and Methods*. London, Sage Publications.
- Yusuf, A., and Saffu, K. (2005). 'Planning and Performance of Small and Medium Enterprise Operators in a Country in Transition' *Journal of Small Business Management* **43**(4): 480-497.

FIGURES AND TABLES

Figure 1: The Planning Response Typology Framework



Source: Mazzarol and Reboud (2009)

Figure 2: Historical Timeline for Singapore's Automobile Industry

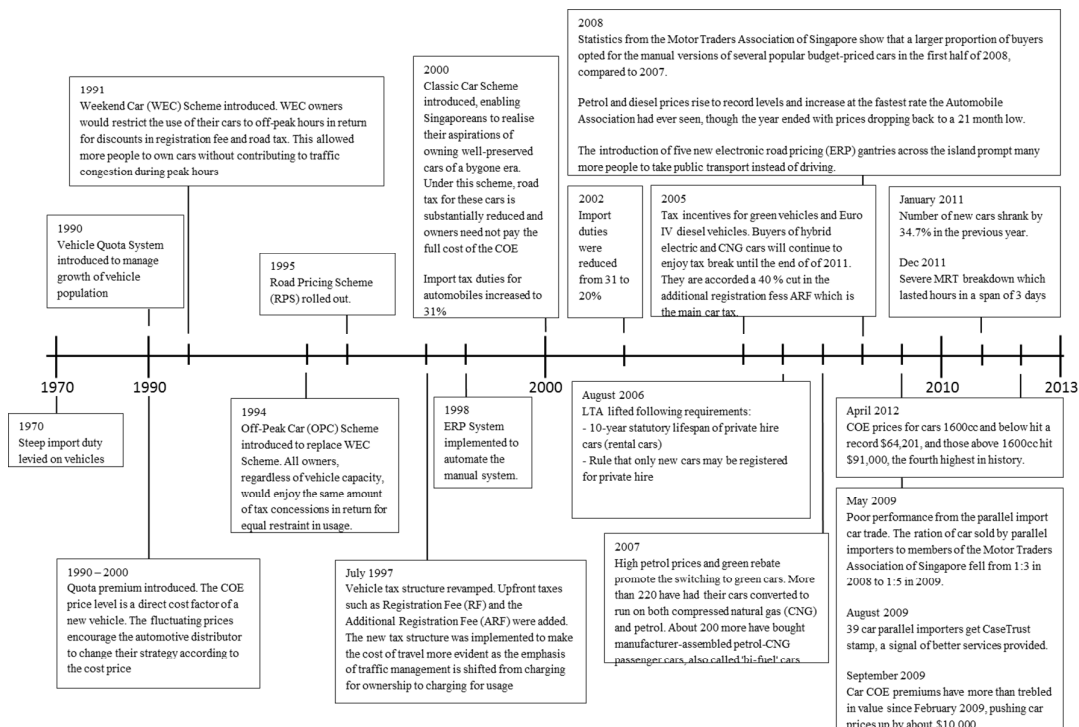


Table 1: Case Study Firms

Case	Description
Tech Salesman	<p>This business employs 9 people and is primarily engaged with the maintenance, repair and programming of electronic control units (ECU) of mostly BMW and Mercedes-Benz cars. A family owned firm, it operates in two related businesses. The company sees itself as a specialist in this area, which requires the use of computer systems to track and detect faults in car ECU and to re-program them if required. Not many firms (possibly 20) have this expertise in Singapore. The supervisor, Mr Lake is considered to be a key staff that could influence both the owner (Mr Tradi) and his son (Mr Jay, respondent of this case study) in both strategic and operational matters.</p>
Ferrari Salesman	<p>The owner of the firm, Mr Lambo is the respondent for this case study. Mr Lambo started his career in carwash, then car grooming before moving on to car detailing, car workshop, car spare parts business, etc. He learned from his customers about the need to be strategic in order to grow. Being strategic means that he can better manage his employees and provide other services (insurance, financing, car repair and maintenance, etc) that is, a one-stop shop. Since he has only about 10 years of formal education, he could not plan formally. As such he needed business consultant to help him plan his business at one stage.</p> <p>The company employs 7 persons (10 including car washing staff) and is primarily providing car detailing services to luxury brand cars such as Ferrari, Lamborghini, Rolls-Royce, Lotus, etc. The charges for each detailing work are approximately in the range of S\$600 to more than a thousand dollars. The target market is the wealthy individuals who became Mr Lambo's close friends after patronising the company for many years (up to 19 years). These customer-friends would even allow Mr Lambo to drive their expensive cars when they are out of town. More importantly, these customer-friends provide market information and advice on strategic matters to Mr Lambo.</p> <p>There are only a few firms that provide such services in Singapore. As part of the growth strategies, the owner is pursuing brand building (of his incremental innovations such as special lightings for detailing; utilise chemist to blend new car shampoo or detergents, etc.) and franchising (his grooming business) besides diversifying into workshops (since close to 2 years ago) and selling spare parts for luxury cars. Mr Lambo estimated that there were probably only 5 (including his company) in this industry segment. He spends an equal amount of time (40% each) for both strategic and operational matters. He uses 20% of his time for relaxation such as going for tours, shopping, etc.</p>
EM Shopkeeper	<p>This is a company that deals with the installation of car accessories such as audio, video and GPS systems. The shop is located in a non-populous area where there are only two other competitors within a 120-metre distance. Since the business started in this premises about 28 years ago, it is expected that the rental cost (thus, low operating costs) should be very low. Repeat and word-of-mouth recommendations form the main bulk of their businesses. Therefore, the main concern of the owner-managers is how to provide quality services (also avoid low-quality product) and build relationship with customers. For that, it is important for the firm to be kept abreast with new or in-demand product and to maintain the core competencies of installing car accessories. The target markets are typically low to mid-range cars that are more than 3 years old (i.e. after manufacturers' warranties for in-built sound system have lapsed). Currently, there are 5 people in the company including Ms Ami (respondent of this case study) and her husband. Other than the 2 owners, the other three are technicians. Integrity as their core value helps in stabilizing HR issues. New hires (usually as replacement) are usually those recommended from their suppliers.</p>

Table 2: Case Study Firms Characteristics of Strategic Management

Case	Description (within each case)
Tech Salesman	<p>EO Measure (Certo 2009): The owner-managers of this firm have a moderate to low level of EO. While the owner was proactive in hiring more workers in anticipation of more business, there was no evident of innovative product or processes that the firm had developed. While the firm was willing to take the risk in hiring more manpower and also invest in diagnostic tools occasionally, there is no indication of the firm moving into the industry as a first or fast mover to seize any opportunity, transitory or not.</p> <p>Risk Perception Measure: Owners of the <i>Tech Salesman</i> perceived the risk in the environment to be low. Here are some illustrations. When asked about how the <i>Tech Salesman</i> is different from other similar firms (repair workshops but not necessarily competitors) that don't use technology tools to service cars, this is what Mr Jay has to say: "<i>in terms of survivability, can survive longer</i>". He was suggesting that his firm was more sustainable than the others. This shows that he perceived no significant risk or low risk as a whole.</p> <p>Moreover, according to Mr Jay: "<i>At times if there are big changes such as in diagnostic tools, they (referring to car manufacturers) will really change big things (such as a new set of diagnostic tools or new software) but they don't really tell us. We have friends from C&C who have information from Germany (referring to BMW and Mercedes-Benz). They are the main source of information and leak out information,...</i>". While the <i>Tech Salesman</i> was clearly concerned about not having access to the new diagnostics tools that car manufacturers developed for the newer car models, any risk perceived thereof was mitigated by the availability of information (including software) leaked out by their contacts who were under the employment of the car manufacturers.</p> <p>Classification of planning response: The planning response is of '<i>Salesman</i>' type.</p> <p>The availability of new diagnostic tools and software upgrade are two key concerns to the owners for without them (tools and software), the firm could not service those cars that incorporate complex computerised systems. Since the firm is not an authorised workshop, the car manufacturer or distributor would view the firm as a competitor in the workshop business. As such, the car manufacturer or distributor would not sell the car diagnostic tools or provide the software upgrade to the firm. Therefore, both concerns were legitimate ones because they could seriously impair their car repair business. Relying on their business associates, the firm may then be able to get access to the needed diagnostic tool and software upgrade. As such, the owners should view the environment to be rather uncertain and risky.</p> <p>However, strategic thinking is evident in that the owner employed two more staff in anticipation of more businesses as a result of rising COE level. As the owner is a traditional Chinese businessman (Mr Jay: "<i>My dad is the old fashioned type and...he does not like changes</i>") who has never been trained to plan formally and probably does not believe in formal planning, no formal planning was ever done.</p>
Ferrari Salesman	<p>EO Measure (Certo 2009): Mr Lambo (Owner) has shown a high degree of EO. He experimented with different ideas and came out with new lighting designs (floodlights) to improve upon the quality of the car detailing work. Also, he engaged an external Chemist consultant for R&D activities. As a result, he developed his own car shampoo besides other car care products. He proactively seeks new opportunities to diversify from his core business in car detailing. For examples, he ventured into luxury car workshop business more than a year ago, and more recently, started a luxury car spare parts business. He is also carving out his own brand of products and processes (car grooming) that he had developed in-house. Eventually he would franchise these products and processes. Mr Lambo's related diversification strategy allows him to offer a "one-stop" service for his wealthy customers. In the process of developing these related businesses, he took substantial risk whereby some of the endeavours actually failed.</p> <p>Risk Perception Measure: By getting advice from his highly successful and affluent customers, Mr Lambo views the environment with fewer uncertainties. This and his other EO traits appeared to moderate his risk perception of his entrepreneurial activities.</p> <p>Mr Lambo diversified his business so as to spread his risk. For example, the stability of the car wash business helped in cushioning his car detailing business during the 1998 financial crisis. Mr Lambo: "<i>Actually when I look at the business, all this while so confidently. People don't go for grooming so frequently, but still go for car wash</i>". With that and the availability of information resource from his customers, he perceived the task environment to be rather certain and within his control.</p> <p>Classification of planning response: Mr Lambo's planning response changed over time. In the beginning, he was fully involved in car washing and grooming together with his workers. At that point, planning was informal and dealt with operational issues. To him, there was probably nothing uncertain about the environment since his focus and locus of control was straightforward – by working hard in the workshop to be successful because his income would vary directly with his effort put in to groom the cars. As such,</p>

	<p>he adopted the 'Shopkeeper' before moving on to the 'Administrator' planning response. With the help of some external business consultants, he started to realise that his business environment was more complex than previously thought. It was no longer sufficient to just work hard in the present but he needed to plan for the future. Now planning was formalised.</p> <p>Consequently, his wealthy customers advised him to be "a spectator" – basically suggesting that he should be less operational and look at his business more strategically. Mr Lambo started to consider environment factors in his business plans. He also realised he did not know a lot more things than he thought he knew. He was into the 'CEO' planning type. However, this planning type did not last very long as the consultants that helped him did not follow up with him in the implementation of the plans. He was utterly disappointed with formal planning and thought he could be more effective by planning in his mind (even intuitively), implementing his plan, correcting directions along the way – similar to what Mintzberg et al (2009) described as "muddling through" strategic management. By now he has had a large network of affluent outsiders who became his reliable source of market information and he could trust them for their advice. With that unwavering support, he became more certain of the environment which moderated his risk perception at the same time. He was not even concern about any threat that could come from his competitors. As such, he now adopts the 'Salesman' planning response.</p>
<p>EM Shopkeeper</p>	<p>EO Measures (Certo 2009): The owners have a low EO profile. The firm did not innovate, was not proactive in the industry and was contented within their comfort zone, albeit working 7 days a week. There was also no evidence of competitive aggressiveness as their focus of the business was on operational issues. The owners showed little risk-taking behaviour as they were not ready to increase headcount in view of rising COE prices.</p> <p>Risk Perception Measure: Ms Ami: "Because in this industry, we follow the trend. We will offer the product that is currently popular in the market. For example, CCTV camera is currently popular. There will be many customers who ask about the product. When the hype dies down, we will change to another product type. There is nothing much to plan. We follow the trend." The EM Shopkeeper has been observing a fall in their customers' willingness to pay for their accessories and that is a concern to a certain extent. Still, the EM Shopkeeper is not planning for the future. The firm's confidence is to be a follower of the industry. This suggests low risk perception of the task environment.</p> <p>Classification of planning response: The owners adopt the 'Shopkeeper' planning response. To the owners, the firm dealt primarily with the two key activities in the workshop, i.e. recommendation of products to customers and installation of accessories. Both activities must be done well because a good front-end service helps in gaining more word-of-mouth customers. As such, the owners did not innovatively or creatively make new product to aggressively grow the business. In fact, there was no consideration or culture for breaking into new market spaces or to challenge competitors using any unconventional tactics. Their suppliers provided the owners with updates on new products or in-demand products and would also recommend potential candidates to the firm for employment.</p> <p>In somewhat passive manner, the firm would adopt any product that is currently popular. As a result, the owners did not feel uncertain about the environment. It is probable that the owners perceived the environmental risk to be low or inconsequential to their sustainability. Planning if done at all was informal and based on experience.</p>

Figure 3: Planning Response Behaviours of Cases over Time

