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THE USE OF STRATEGIC PLANNING IN AUSTRALIAN SME START-UPS

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Abstract:

There remains little research available on the use of strategic planning or strategy tools by start-ups or small and medium enterprises (SMEs). SMEs account for 70% of private sector employment and over 99% of all Australian businesses. To improve the 50% failure rate of businesses in the first five years, gaps need to be filled. In addressing the question of: *Is strategic planning of use to Australian start-ups?* a questionnaire was issued to 725 SMEs who considered themselves entrepreneurs, receiving 112 responses. Additionally, 12 respondents participated in interviews and 6 in a focus group to triangulate findings. Through the understanding of strategy planning use, the empirical knowledge gained may influence government policy and contribute to a guiding framework for aiding start-ups in planning effectiveness. Using strategy tools able to be contextually applied to SMEs adds actionable knowledge, providing insights for public policy and addresses one aspect of business failure.

Key words: Strategy/strategic, planning, small and medium enterprises, SMEs, start-ups

Word count: 7,515 (excluding tables, figures and references)

INTRODUCTION

Start-ups are inevitably small and medium enterprises (SMEs) as they establish themselves. Many businesses, unless spinning off from a larger enterprise, start as SMEs. The Australian Tax Office (ATO) (ATO, 2016) and Australian Bureau of Statistics (ABS) (ABS, 2012) define SMEs as: small enterprise - less than \$AU2million turnover, less than 20 employees; and medium enterprise - \$AU2million-\$AU10million turnover, 20-200 employees.

It is known there is a high failure rate for business in the first five years of establishment, accounting for up to 50% in the first twelve months and 90% in the first five years according to some literature and internet sites (ABS, 2016; Shafique *et al.*, 2013; Ahmad and Seet, 2009; Reynolds *et al.*, 1994). Yet many continue to establish businesses, some with no funding, and others with business loans, angel funders, government grants or personal savings.

The Australian economy relies heavily on SMEs, who contributed 57% of the economic input as at June 2011 (ABS, 2012; AGR, 2012). SMEs employ 70% of all private sector staff, with 84% of small business providing direct services (ABS, 2012). Across Australia 96% of all businesses are small, 4% medium and <1% large (ABS, 2012). Only 60% small, 76% medium and 74% large businesses survived during the June 2007 to 2011 period (ABS, 2012). This is trending down with only 50% surviving by June 2015 of those who entered the market in June 2011 (ABS, 2016). This is a marked drop from those in business in June 2011, an issue for concern of what is causing such a decrease in survival rates.

Within New South Wales (NSW), 96% of all businesses are small with 88% employing less than 4 staff (NSW SBC, 2016). The ATO, and various Australian agencies, offer basic checklists on establishing businesses, with none appearing to provide an outline of strategy and planning tools or templates other than one on a business plan template. As such, there is potential to improve the understanding of these statistics and the influences, if any, of strategic planning in business survival.

With owners focusing their daily work efforts *in* their business, they fail the essential survival element of working *on* their business. This leads to failure to grow the business due to struggling to maintain the status quo; leaving little time to monitor strategic plans, if they even exist. In effect, do they *plan to fail or fail to plan?*

There is little infrastructure or readily accessible support in Australia to assist start-ups. There are, however, a number of ATO and state-based websites offering basic checklists to cover the legal and taxation aspects of establishing a business and a basic business plan. Additionally, one state government, in targeting 250,000 new jobs over 4 years, with an emphasis on the regional areas, has focused on innovation hubs with little planning support. These innovation hubs are more a space to park yourself to access stakeholders and establish networks; and have easier access to the state's Small Business Commissioner who deals with disputes.

One partially accessible support in Australia for start-ups is iAccelerate, a division of University of Wollongong, who works with the state initiative to source grants and other funding sources. With, according to the 2017 Startup Muster, 44% of Australian start-ups located in NSW (Hurps and Wulff, 2017); this 4-month education and assessment program offered is invaluable if the applicant can pass the rigorous selection process. Some 127 start-ups have been assisted since inception. Talking to participants and reading the information readily available, there are considerable strings attached to the support on offer with a high percentage of ownership handed over for the meagre funds in return. Of note is the comment that the mentoring is the differentiator that can make the difference for any start-up.

A business starts with an idea or vision. In isolation, this may be insufficient for businesses to survive. The process of strategic and business planning doesn't appear to be readily embraced

unless seeking finance of some type (Mocking *et al.*, 2016; Clarke *et al.*, 2012). Some small or medium enterprises (SMEs) fail or struggle to survive, others grow successfully to larger businesses, employing increasing numbers of staff and making greater contributions to the economy. By understanding the factors that support business growth, there is potential to assist those considering self-employment by establishing SME start-ups. Given the frequency of larger organisations reducing staffing in response to global and local economic impacts, and the move toward more transient employment, more people are considering self-employment.

Many new business owners can draw on previous employment experience in larger organisations, with some including involvement in visioning, setting strategic directions, developing business and operational plans, collating budgets, establishing key performance indicators etc; while others may only have been exposed to delivery, monitoring and reporting; ranging down to no exposure at all. As such, only a few should be affected by limited strategic planning knowledge and application experience. There remains little research available on the use of strategic planning or strategy tools by start-ups or SMEs, with the exception of a recent article by Bellamy *et al.* (2019) on the use of strategy tools by SMEs in the forming strategy. This offers a gap in the literature to explore further.

In exploring the level of early start-up phase use of strategic planning the research question became: *Is strategic planning of use to Australian start-ups?*

From such low survival rates from so many new businesses being established, this research seeks to understand the level of use of strategic planning in establishing and growing Australian start-ups. From this, a contribution to business survival literature can be made and potentially a contribution to federal/state policy. With so little support, although increasing under the *innovation* umbrella through the establishment of Small Business Commissions in most Australian states to aid mediation, there continues to be a gap in the types of support in developing businesses from a solid understanding of business direction, market focus and financial stability. Discussion with one state Small Business Commissioner sparked interest in findings and whether this could potentially lesson the need for mediation services. Similarly, discussion with the head of a state-based employment developer, establishing incubation hubs, created interest in a potential template and training program for start-ups.

This paper explores literature around strategic tool use. It then describes the methodology used to explore the use of strategic tools in SMEs and discusses the findings and implications from an Australian perspective. From the research, it highlights the limited use of strategic tools within SMEs. Limitations and future research avenues worth exploring further are then provided.

The contribution of this paper is the enhancement of current understanding of the use and usability of strategy tools in Australian start-ups and whether these offer benefit in guiding the survival of SMEs. Such knowledge provides valuable information for incubation hubs and government policy.

LITERATURE REVIEW

Australian Statistical Data

The repercussions of the global financial crisis on the Australian market and a notable tightening of monetary policy from the change in federal government has had a significant impact on small business, predominantly non-employing sole traders. The ABS 2016 report indicates the June 2011 to 2015 period saw an overall survival rate of only 50% of businesses entering the market. ABS (ABS, 2016) provides tables on survival insights based on sector, legal organisational, employment and turnover. Interestingly, private sector businesses survive at a higher rate than the 30% for public sector, closely followed by sole traders at 39%. Sole traders tend to focus on personal services (households) and start-ups are based on

low funding availability with only a 48.2% survival rate over the 2011 to 2015 period. Similarly, using a different lens, these businesses tend to account for the 47.5% survival in the less than \$50,000 turnover and 45.8% survival for non-employing businesses.

As at June 2011, small businesses contributed 34% and medium 23% of the economic input (ABS, 2012; AGR, 2012), highlighting the reliance on small and medium enterprises (SMEs) to support the Australian economy. According to NSW Small Business Commission (NSW SBC, 2016), there are almost 690,000 small businesses in NSW, accounting for around 96% of all NSW businesses; of which 59% have no employees, and another 29% have less than 4 employees. Across Australia, 61% of small business owners have no employees, 84% of those add economic value through direct services (ABS, 2012). Australia wide, small businesses employ 46% and medium employ 24%, totalling some 70% of all private sector employment. 96% of all Australian businesses are small, 4% medium and <1% large (ABS, 2012).

There is potential to supplement these statistics with the influences of strategic planning on business survival. With little evidentiary documented knowledge around the use of planning, other than basic checklists on establishing businesses provided by the ATO and various Australian agencies. None could be found that provided an outline of strategy and planning tools or templates, with the exception of one site offering a mobile phone version of the government business plan template, MyBizPlan (DIS, 2016).

SME Failure

Kosmidis and Stavropoulos (2014) compared 29 Greek SME corporate failures and 29 continuing SMEs and found human capital is a key component of SME viability. They found poor strategy decisions led to failure in the ever-changing business environment, offering failure diagnosis model adjustments to predict failure rates. Therein, leveraging and liquidity are considered key drivers. Scwab *et al.* (2019) modelled financial stability and decision-making during SME growth, where the recent banking regulations have a direct impact on an SME's liquidity, albeit a case study of one Swiss family-owned SME.

With so few studies on SME failure diagnosis and how they apply to different economies (Gupta *et al.*, 2015; Kosmidis and Stavropoulos, 2014; Altman *et al.*, 2010; Baixauli and Modica-Milo, 2010; Wu *et al.*, 2010; Lin, 2009; Sandin and Portorato, 2007) it is hard to identify whether the use of strategic tools would benefit those SMEs. Of note, Martinez-Costa *et al.* (2014) site the need for managerial decision-making to be from a strategic, tactical and operational perspective to attain growth. Others, such as Soininen *et al.* (2012) cite entrepreneurial orientation for SME growth success, with the same orientation considered a moderator for business failure according to Revilla *et al.* (2016). Whilst Amankwah-Amoah (2015) identify poor decision-making as the key risk of company failure, Gupta *et al.* (2015) considers the size of an SME does not affect the failure risk; neither does El Kalak and Hudson (2016). Yet Williams (2014) considers failure is impacted by the size of the organisation; as does Gupta *et al.* (2018). Both Holland (1998) and Rosli (2011) offered a range of reasons from lack of experience and capital to management, location, staffing and red-tape.

SME's in Europe and the US, as in Australia, form a large part of the economic activity (Gupta *et al.*, 2018; Mendy and Hack-Polay, 2018; Baixauli and Modica-Milo, 2010; Altman and Sabato, 2007). Several studies have highlighted the detrimental effects on SMEs of restricting access to finance (Brown and Earle, 2017; Krishnamurthy, 2015; Gautam and Vaidya, 2014). Restricting finance access increases the possibility of bankruptcy in SMEs (Lucey *et al.*, 2016), more so than for larger organisations who may be able to manage liquidity more readily.

Strategy and strategy tools

Strategy has seen a range of definitions, from a consistency of intended or not behaviours (Mintzberg and Waters, 1985) to plans for actions influencing how people do things (van Gelderen *et al.*, 2000) to a mechanism to focus company efforts (Gibcus and Kemp, 2003). Whereas strategic management is defined as a process of planning, implementing and controlling cross-functional decisions, enabling an organisation to define and deliver its mission in creating value (David, 2005; Porth, 2003). Strategic planning is seen as having the greatest impact on a business's future (Shadbolt and Bywater, 2005). McMahon's (2001) Australia research found planning around growth pathways over a 15-year period had a direct impact on staff numbers and sales. Similar to that of Hanks *et al.* (1993) and McMahon's 2003 follow-up.

A key literal article by Clark (1997) defines strategy tools as 'techniques, tools, methods, models, frameworks, approaches and methodologies which are available to support decision making within strategic management' (p.417). Knott (2006) refers to strategy tools as influencing strategic activities by encompassing a range of concepts, ideas, techniques and approaches. Whilst Jarzabkowski and Kaplan (2015) consider 'a strategy tool is not neutral or "objective", but makes an argument about what is important to analyse strategically and, conversely, what is not' (p.539). Strategy tools materialise strategic thinking (Vuorinen *et al.*, 2018), aid environmental and organisational analysis (Mintzberg, 1994), generating knowledge (Jarzabkowski and Wilson, 2006) and meaning (Wright *et al.*, 2013). Although their use does not guarantee a positive output (Belmondo and Sargis-Roussel, 2015). However, the process of strategising creates and transforms knowledge (Jarzabkowski *et al.*, 2013a); wherein, rather than a top-down approach of strategy planning in formulating then executing (Mintzberg, 1994) and intent of a particular strategy tool, perception or personal agenda may drive outcomes and tool interpretation (Belmondo and Sargis-Roussel, 2015; Jarzabkowski and Kaplan, 2015; Jarzabkowski and Wilson, 2006), creating a varied adaptation of strategy tools that caters for current or local context. It is the ability to contextualise strategy tools that enables the adaptation to SMEs.

The contextualisation of these tools in 'strategy-as-practice' (Jarzabkowski *et al.*, 2015; Jarzabkowski *et al.*, 2013a; Jarzabkowski and Spee, 2009) offers space to explore, collaborate and 'do strategy' (Balogun *et al.*, 2014). This becomes a day-to-day management practice within organisations (Floyd *et al.*, 2011; Balogun and Johnson, 2004) and the use of strategic tools (Dameron *et al.*, 2015; Jarzabkowski *et al.*, 2013a) of which considerable research has focused. Much of this focuses on the traditional strategic tool such as SWOT and PEST (for example: Spee and Jarzabkowski, 2011; Jarratt and Stiles, 2010; Ridgy and Biloudeau, 2005). Much of this research is around the act of strategy formation in large organisations and involvement of top management (Jarzabkowski, *et al.*, 2015; Paroutis *et al.*, 2015; Parouti and Pettigrew, 2007), and middle-managers on materiality in enacting strategy where text-based documents allow staff to engage with strategic plans (Arnaud *et al.*, 2015) with little regard for the delivery or measurement of effectiveness, nor the transferability to start-ups.

A notable absence in SMEs, with the limited staff involved, is the inability to use tools and the associated text as a means for sensemaking (Weik, 1995; 1979) and sensegiving (Gioia and Chittipeddi, 1991) during strategic change implementations. The social process of sensemaking linked to sensegiving (Gioia and Chittipeddi, 1991) and managers providing meaning (Maitlis and Lawrence, 2007; Rouleau, 2005) is lost in SMEs. It becomes reliant on the owner to drive change without the opportunity to enact strategic change through interpretation and selling (Rouleau, 2013). These owners are the default strategists, contrary to the view of Jarzabkowski *et al.* (2015), who encourage the consideration of other organisational members outside the senior ranks as strategists. In larger organisations this is possible, supporting the call of strategy-as-practice researches (Rouleau and Balogun, 2011; Jarzabkowski and Spee, 2009; Johnson *et al.*, 2003) to do so.

Research focused on strategic planning impact on business performance has dwindled over time (Whittington and Caillaud, 2008). With the globalisation, dominated by large organisations, having significant impact on the viability of smaller businesses (Hodgkinson and Starkey, 2011), greater interest in strategic management tools, frameworks and theory use has emerged (Bellamy *et al.*, 2019; Jarzabkowski *et al.*, 2013b). Most research is quantitative, on established and large organisations, with a notable exception of Jarzabkowski *et al.*'s (2015) qualitative research using ethnography and utilising grounded theory (Strauss and Corbin, 1990; Glaser and Strauss, 1967) to deliver a spatial model in providing a conceptual model for strategy work. There remains little research available on the use of strategic planning or strategy tools by start-ups or SMEs, with the exception of a recent article by Bellamy *et al.* (2019) on the use of strategy tools by SMEs in the forming of strategy.

Even with the depth of strategy tool literature evolving, there remains little on the use of or value attained. SME survival, rather than investment evident in big business, is a direct response to customer demands or economic influences. Tool usage differs in SMEs, and it is unknown what value strategic planning has in SME longevity. Survival research has focused on management decision making rather than strategy tools used. In undertaking and delivering strategy, Chai and Holt (2006) note 'strategy is not some transcendent property that a priori unifies independently conceived actions and decisions, but is something immanent – it unfolds through everyday practical coping actions' (p.637). It is within this context that perhaps SMEs develop strategy, drawing on their intuition and tacit knowledge rather than overtly undertake strategic planning per se.

Developing a business model to deliver value in requires business owners to create a link between innovation and business model elements (Baden-fuller and Haefliger, 2013). Where Hellstron *et al.* (2015) consider a business model is a tool that captures value through innovation, Zott and Amit (2010) argue a business model depicts content, structure and governance around transactions. Thereby creating value through exploiting business opportunities. Business models, as a result, offer a basis to aid the development of strategic plans.

METHODOLOGY

A mixed-method approach (Easterby-Smith *et al.*, 2012) was utilised in seeking greater contextual understanding of the depth of strategic planning use in start-up businesses in Australia. With access to a social media-based entrepreneur group, data-collection protocols were used to develop and invite participation in an anonymous questionnaire. Additionally, individual interviewee or focus group participation was sought. With the separation of email and region information for willing participation in interviews and focus groups, participants were advised that in order retain anonymity, a number of baseline questions would be repeated and where willing, supporting documentation would be welcomed. Epistemologically, adoption of a social constructionist standpoint when interviewing supported the view that knowledge is subjective and interpretable from a variety of lenses (Berger and Luckmann, 1966).

The questionnaire used Steven's Scale of Measurement (Ary *et al.*, 2010), a combination of nominal, ordinal and ratio scales; interval scales were not used. Participants were asked, for each strategy tool, to measure utilisation and were able to select more than one option of: not heard of, heard of but don't know how to use, interested in learning how to use, know about but chose not to use, used to establish business, using as business evolves, using in running the business. These used an ordinal scale to provide a level of use. A ratio scale was used for years of experience and age groups. Nominal for such items as positions held prior and in current business, and staff numbers by type, and yes/no questions. With ordinal for priority of plan motivation, effectiveness of plans and strategy tools, use and link questions which used a 5-point Likert-type scale (Bowling, 1997).

Measurement for the Likert-type items included median for the central tenancy, frequency for variability, chi-square and Kendall tau B or C for association/correlation (Ary *et al.*, 2010). Simple descriptive statistics of ratio and percentage of responses were undertaken to understand such areas as the frequency distribution across the responses. Standard deviation was used to consider interpretation around distribution scores; and correlation between various variables, including bivariate plotting to show the relationships. The significance of the correlation was tested using a two-tailed test, significance level of alpha of 0.05 and degree of freedom of N-2 (Trochim, 2006).

The analysis of questionnaire response and associated themes, triangulated with interview participant perspectives and further clarification through a focus group, took a social constructionist standpoint of acknowledging the subjectivity of knowledge. The aim being to generate empirical knowledge around the use of strategic planning in Australian start-ups. It is with this knowledge a contribution to policy and development of a guiding framework is sought.

Target Group

The target group consists of 725 members of which 112 responded. As a result, the sample was approximately 16%. This provided a sound base with reliance on the triangulation (Jick, 1979) with interviews and the focus group.

Of the 112 responses, 17 agreed to individual interview or focus group sessions. Of these, 12 individual interviews provided a cross-section of participants and was followed by a focus group of 6 to triangulate findings (Jick, 1979). The focus group discussed key findings and explored which strategic tools are adopted, whether these were considered effective, and why/why not.

Questionnaire

The questionnaire consisted of 52 questions split into:

- Demographics – 11 questions to understand experience, position, size of business being responded for and industry covered.
- Business establishment and growth – 41 questions to understand the establishment and performance measurement of the business. These incorporated 11 questions relating to planning in general, 8 to strategic plans specifically, 16 to performance measurements and 6 on training and development.
- Optional – 4 questions allowed for interest in individual interviews, focus group participation and receiving key findings.

Drawing on Frost’s (2003) list of strategy tools and technique that extended Hussey’s (1997) work, 74 strategy tools, as shown in Table 1, were presented for consideration in the questionnaire.

Table 1: Strategy Tools

Balanced Scorecard	Equilibrium Analysis	Portfolio Analysis
Benchmarking	Experience Curve	Process Modelling
Brain Storming	External Factor	Product/market Matrix
Breakeven Analysis	Evaluation Matrix (EFE)	Profits graph
Business Definition	Financial Ratio Analysis	Quality Analysis
Business Process Re-engineering	Gap Analysis	Risk Analysis
Company Capability Profile/Analysis	Generic Strategy Matrix	Risk Matrix
Competitor Analysis	Global Strategy	ROI Chart (Return on Investment)
Competitor Profiling	Group Competitive Intensity Map	Scenario Planning
Core Competencies	Growth Analysis	Segmentation: strategic
Corporate Modelling	Growth Vector Analysis	Sensitivity Analysis
Corporate Social	Historical Analogy	Spreadsheets
Performance Matrix	Industry Analysis	Strategic Audit (analysis)
Cost-benefit Analysis	Industry Attractiveness Analysis(Porter’s	Strategic Group Mapping

Critical Skills Analysis	5-Factor Model)	Strategic Position and Action Evaluation
Critical Success Factors	Internal Factor Evaluation Matrix (IFE)	Strategy Cube
Decision Trees	Key Success Factors	SWOT (Strengths, Weaknesses, Opportunities, Threats)
Delphi Technique	Learning Curves	
Discount Rate of Return	Life Cycle Concepts	Synergy Matrix
Discounted Cash Flow	Management Profiles	Technology Grid
Diversification Matrix	Market Opportunity Analysis	Technology-based Resource Allocation
Du Pont Chart	MCC (Mission and Core Competencies)	TOWS Matrix (Threats, Opportunities, Weaknesses, Strengths)
Economic Model	Decision Matrix	
Environment Assessment: Neubauer SOFT (Satisfactory, Opportunity, Fault, Threat)	Net Present Value	Trends Projection
	Nominal Group Techniques	V Matrix
	PEST (Political, Economic, Social, Technological) Analysis	Value Chains
Environmental Assessment: facing up to change	PIMS (Profit Impact of Market Share)	Value-based Strategy
Environmental Turbulence Matrices		Variance Analysis

Demographics

Demographically, the age group of the respondents varied slightly to the census (ABS, 2011) as outlined in the NSW Small Business publication (OBSC, 2014) in which 55% of business operators in NSW fall in the 40 to 59 year range. This also compares closely to the 73% aged over 40 years. Although the questionnaire break-up varies by 5 years, the figures have an alignment, being 69% over 35 years. This highlights the need for experience and funding to establish a business, which tends to come with age.

As shown by demographic findings in Table 2, the questionnaire was focused towards start-ups, resulting in a high percentage of respondents indicating they have been in business for less than 12 months, providing a sound basis for evaluating the use of strategic planning when compared to those in business for longer periods and within the first five years, when a higher failure rate is evident. This time in business supports the higher rate of part time, casual and other staff. Interestingly, 56% indicated they have overseas experience, reflective of Australia’s multicultural background. Noting that the OBSC (2014) indicate only 32% of NSW small business owners were born overseas.

Table 2: Questionnaire participant demographics

Age group of respondents			Time in current business			Staff involved in the business		
Age range	Responses		Duration	Responses		Staffing	Responses	
	No.	%		No.	%		No.	%
18-25 years	15	13.3%	Less than 12 months	46	40%	Full time	87	78%
26-34 years	20	17.9%	1 to 2 years	25	22%	Part time	49	44%
35-44 years	25	22.3%	2 to 4 years	19	17%	Casual	37	33%
26-34 years	38	33.9%	5 to 10 years	11	10%	Seasonal	0	0%
45-54 years	7	6.3%	over 10 years	11	10%	Other	37	33%
66-74 years	6	5.3%						
75+ years	1	0.9%						

Interviews

Seventeen survey respondents agreed to one-on-one interview or focus groups. Of those, twelve were selected for one-on-one interviews offered a range of insights from a cross-section of business types and years in business.

To ensure anonymity, S references small business, M references a medium sized business, were used to identify responses. Interviews were recorded to allow flow of discussion, with file notes as additional pointers to assist when transcribing. Table 3 provides the interviewee demographics, including the use of strategy tools; noting that none measure their effectiveness.

Table 3: Interview demographics

<i>Participant</i>	<i>Size</i>	<i>Age range</i>	<i>Years in current business</i>	<i>Use of strategy tools at start-up</i>	<i>Use of strategy tools ongoing</i>	<i>Planning tools used</i>	<i>Effectiveness measured</i>
S1	Small	18-25 years	12 months	No	Yes	Yes	No
S2	Small	26-34 years	30 months	No	Yes	Yes	No
S3	Small	35-44 years	3 years	Yes	Yes	Yes	No
S4	Small	35-44 years	5 years	No	No	No	No
S5	Small	18-25 years	14 months	No	No	No	No
S6	Small	26-34 years	18 months	Yes	Yes	Yes	No
S7	Small	26-34 years	7 months	No	No	No	No
S8	Small	45-54 years	11 months	No	Yes	Yes	No
M1	Medium	75+ years	Over 20 years	Yes	Yes	Yes	Planning
M2	Medium	45-54 years	10 years	No	Yes	Yes	No
M3	Medium	26-24 years	4 years	Yes	Yes	Yes	No
M4	Medium	66-74 years	2 years	No	Yes	Yes	No

Focus Group

Six of those agreeing to be interviewed or participate in a focus group were selected, four of which had undertaken a one-on-one interview (M1, M3, S2 and S3) to give added depth of triangulation, participated in the focus group. The remaining two were both from small businesses and had been in business for under two years. These were referenced as F5 and F6 respectively, with S2 cross-referenced as F1, S3 as F2, M1 as F3 and M3 as F4 when discussing focus group in the findings. Table 4 provides the reference group demographics.

Table 4: Focus group demographics

<i>Participant</i>	<i>Size</i>	<i>Age range</i>	<i>Years in current business</i>	<i>Use of strategy tools at start-up</i>	<i>Use of strategy tools ongoing</i>	<i>Planning tools used</i>	<i>Effectiveness measured</i>
F1 (S2)	Small	26-34 years	30 months	No	Yes	Yes	No
F2 (S3)	Small	35-44 years	3 years	Yes	Yes	Yes	No
F3 (M1)	Medium	75+ years	Over 20 years	Yes	Yes	Yes	Planning
F4 (M3)	Medium	26-34 years	4 years	Yes	Yes	Yes	No
F5	Small	26-34 years	14 months	Yes	No	Yes	No
F6	Small	35-44 years	17 months	No	No	No	No

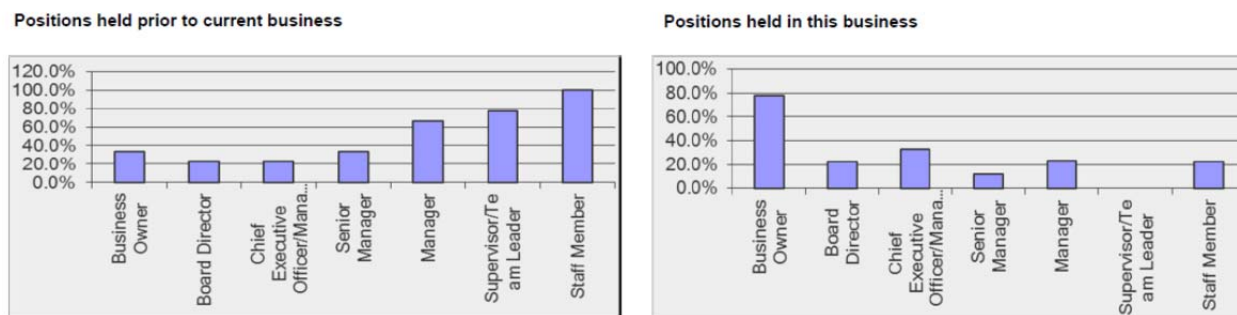
Themes

Themes emerged around level of use of strategic tools during start-up, as an ongoing basis, use of planning tools, whether their effectiveness is measured, growth factors and impact on failure rate. These were discussed further during interviews and in the focus group.

FINDINGS AND DISCUSSION

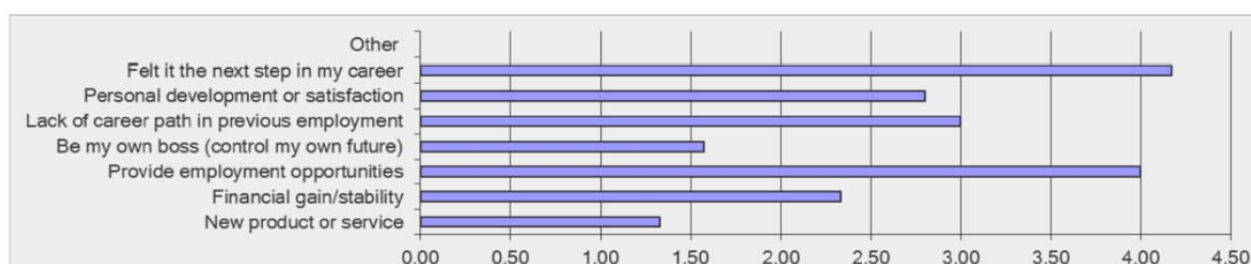
From the questionnaire responses, in seeking to understand the previous versus current positions held, a good portion of respondents moved through the ranks in larger organisations prior to establishing their current business. Noting that around 35% have been a business owner prior to the current business, indicating some have established new businesses as a result of growth and cessation of previous businesses. Verbatim indicate a range of reasons. Of positions held in the new business, 80% indicate they are the business owner. Some indicated they hold several roles within the business, such as business owner, Board Director and CEO, as outlined in Figure 1.

Figure 1: Positions held in previous and current businesses



When asked of the motivating factors in establishing a business in order of priority, lack of career progression generated the view that this was the next career step and the opportunity to provide employment were highly rated as shown in Figure 2.

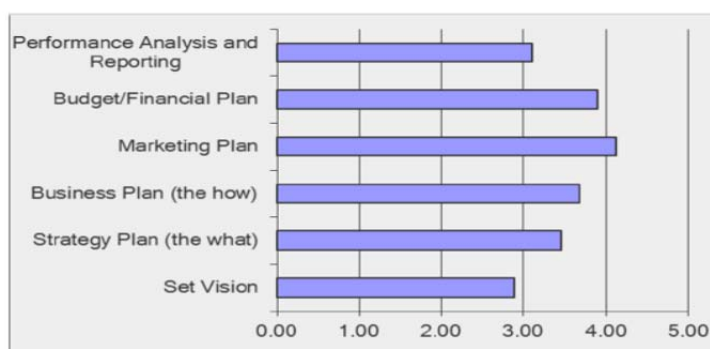
Figure 2: Motivating factors in establishing the business



Use of Strategy Tools During Start-up Phase

75 (67%) have plans documented in establishing the business and felt there was a definite link to performance and were effective, whilst 84 (75%) of those who didn't use documented plans would next time. Types of plans used in establishing and running the business had a higher marketing plan focus, followed by budget/financial plan, as shown in Figure 3.

Figure 3: Plans used in establishing and running the business



Of the 74 strategy tools listed, there was a significant number who indicated they had not heard of the tool. 62 (56%) indicated they used strategy tools to establish the business, 75 (67%) indicated these were documented and 84 (75%) would use if they had their time again. The planning and strategy tool use were two responses explored further in the interviews and focus group, where the opportunity to delve into in detail further offered significant insights into business establishment and running.

Some start-ups use angle funding or rely on family, where the need for strategic planning is less emphasised. For example: S1, a beauty therapist who used her father's funding to establish and continues to do so to cover cash flow shortfall, had not sought assistance in establishing her business as a viable enterprise and thought the agreement to be interviewed

and/or participate in a focus group may provide her ideas on how to go about it. A number of hours were spent establishing the vision for the business, explaining strategy tool and applying them, establishing a market evaluation and plan, business plan and budget, providing the basis for allowing the business to stand on its own. This was a significant learning for her.

Others are self-funded and should have strategic plans in place. Yet, even though S2, having held high income-based senior management roles, indicated she knew a number of the strategy tools, had contributed to planning sessions and budget preparation in her previous employment, she had not ‘considered it necessary in establishing her own business given it was a start-up rather than a large organisation.’ This is perhaps one reason she struggled for the first 18 months of her business venture.

Whilst others require finance, where the funders require specific information prior to considering loans or other financial support. S3 drew on his corporate experience in establishing his business, utilising a range of strategy tools, planning and budgeting as he needed to seek a bank loan and overdraft. The bank required a business case containing a business plan, market analysis, cash flow and budget as a minimum requirement.

M1 set his business up with a vision statement prominently placed over his desk to focus his direction as the family grew and went to universities. M1 stated because he was ‘on a number of Boards, he knew planning and due diligence were paramount in establishing and running a business.’ He had drawn on his networks for work, particularly in the first twelve months; had thoroughly researched the market and kept an eye on the global trends and resultant impact on his consultancy.

Strategy Tools Used in an Ongoing Basis

S3, running a profitable business, could not understand ‘how any business could survive without a sound understanding of their market position and offering, planning their direction and how to differentiate themselves from the masses.’ Yet S4 sees herself as more artistic with no need for plans or knowing where she is going and no willingness to undertake any structured planning. This has had an impact on her business direction and cash flow. After 60 months in business, S4 is reassessing the viability of her business.

When asked which strategy tools he had been exposed to, M1 knew of most and utilised a cross-section. M1 also undertakes annual strategic and business planning, market analysis and operational plans. M1 measures the effectiveness of his planning in his results. He could not indicate whether he really measured the effectiveness of the strategy tools used, rather the outcomes in terms of business growth and profitability.

Planning Tools Used

S4 does not plan, leaving it to others to come to her, based on her reputation rather than understanding the market or targeting a niche sector.

Whereas, although S2 had not pulled together any vision, business or marketing planning, she did have a rudimentary budget to see what bills she could pay each month. S3 monitors his bottom line closely, measuring the results in terms of budgets, sales and profit margins. M1, in running a profitable business, also uses budgets and ongoing monthly monitoring and reporting. Those who use planning tools and monitor their business appear to be more profitable.

Measurement of Strategy Tool Effectiveness

In terms of measuring performance, from the questionnaire, 75 (67%) measure performance of some type but only 37 (33%) measure strategy tools effectiveness. 63 (56%) measure business performance, 49 (44%) measure business success, 87 (78%) use financial measures to manage the business, 63 (56%) use operational measures, 63 (56%) use external

environment measures and 25 (22%) use internal environment measures. None actually measured the effectiveness of strategy tools themselves.

Using budgets, as S2 did, was a main measure. M1 used wider measures to manage his business. S3 also used wider measures to manage his business but has not sought to measure the effectiveness of the strategy tools use in his business, indicating he found:

more value in measuring the results, the bottom line, the profit, and where to next than whether a particular strategy tool is the right tool. That's so academic! If you're not making a profit, who cares if a tool works or not?

Growth Factors

Considering how to grow a business, S2 indicated that she was 'chasing my tail and exhausted for the first eighteen months, desperate to keep my head above water, thinking that was normal.' At this point she was 'getting mentally numb and started to question whether my business would survive' or whether she'd 'have to go back to working for someone else, the main reason I started my own business.' S2 advised that it was in a candid discussion with a network associate that she found her *ah ha* moment. She was asked: 'What was her value proposition and what value did she put on herself?' Using such networks has offered a supportive and safe environment to explore options.

By S2 taking time out to focus on what was important, valuing her hourly rate equivalence, identifying the higher value relative to lower touch customers and outsourcing some administrative functions was her turnaround point. This was a transition from working *in* her business to *on* her business. S2 indicated she has more than doubled her turnover in the last twelve months and is making a modest profit with a forecast to more than double again in the next twelve months. Her 'advice to new start-ups is know your market, put a value on yourself and plan ahead - if you know where you are going then that's half the battle.'

Similarly, S3 credited his increasing turnover and profit on 'damn hard work, good planning and keeping an eye on the dollars.' S3 felt:

if you don't know yourself, your capabilities and your competition, you won't survive. Any gaps in your capabilities need to be filled with other staff or you need to develop them. Once you're in business, as an entrepreneur like me, you don't have extra time to study...you have to find ways to pick the skills up quickly with minimal effort to focus on the business.

With the depth of planning and monitoring undertaken, M1 felt he was running his business as a larger organisation with the intention of growing into his planned size over the last 20 years. M1 felt his approach of: 'a bit of a fake it until you make it' has worked.

Impact on Failure Rates

S1's funder, her father, has advised her, that after 12 months in business, she needs to 'start standing on her own feet' (S1). Currently she wears designer clothing to 'give the business the image of doing well to attract well-to-do women' (S1). Although her candidness and willingness to openly discuss her current position, and appearance of concern in failing in her father's eyes, even with the eagerness to learn being evident, the willingness to change embedded behaviours was not (ie: no designer labels) for fear of losing the image developed with current clients. This appears to be aligned to generational thinking where image reflects the person, evidenced by the level of social media in use such as Twitter, SnapChat and Instagram. S1 is in her early 20s. Without behavioural change and close monitoring of cash flow, the business will likely fail.

From a different perspective from a mid-30s business owner who considers herself as 'an entrepreneur, a trendsetter, the artistic type that doesn't need plans to know where they're going.' Yet as a struggling business with low turnover and high product costs, S4 is 'reconsidering options of whether to wind the business down and seek other markets, go and

work for another company...yuck' (shudders) 'or keep plugging along.' When asked if she had considered stepping back and researching her market or establish her vision, plan for the coming year and associated budget, she pulled a face of distaste indicating 'it's just not for me, I'm artistic and not good with structure and having to play with figures.' When asked if she had consider outsourcing that in order to understand where she is currently, where she wants to be and options on how to get there, given she obviously enjoys her current business's output, she indicated she 'hadn't thought of that', and it was 'worth thinking about'. Failure to undertake some form of planning is having a direct impact on this business.

Shafique *et al.* (2013) found the lack of financial, accounts, marketing, production and operation, and human resource management all contributed to failure of SMEs. While Ahmad and Seed (2003) highlighted the fact that negative behaviours impact business success. They key behaviours being inability or failure to formulate strategic plans that, in turns, impacts the ability to provide business direction, and the failure to conduct market research. Additionally, Ahmad and Seed (2003) highlight areas such as failure to undertake investment research, gauging market demand, suitable business partners, reliability of suppliers and employing competent staff.

Succession Planning

According to the questionnaire responses, in planning for the business, 86 (77%) don't have a succession plan, somewhat of a typical Australian *she'll be right mate* approach. Although 12 have indicated they are considering it.

One who does have a transition to retirement plan is M1, who is in his mid-70s and having had a career of high-level corporate positions, Board membership and established his business well over 20 years ago. With the business attaining multi-million dollar turnover, falling into the high end of a medium-sized enterprise in terms of turnover, M1's succession plan is to 'step down over the next eighteen months and have my eldest son who runs his own business take over', with he and his wife 'remaining on the Board with a dividend as income.' When asked whether he has documented his succession plan or discussed the impact on the whole family, he indicated he had not. M1 had 'just assumed' as he had seen it as 'a natural progression that my eldest would sell his own business and move into the family business.' This questioning brought him to re-evaluate his current thinking – did his son want to sell his business he had been establishing and running for over 10 years? How would his other children who have worked in the business for some time react? How should he set up the Board and dividend stream to be guaranteed and not be too controlling over the business into the long-term future?

Focus Group

The focus group was recorded to allow flow of discussion, with file notes taken throughout the discussion. As outlined in the focus group demographics, Table 4, none measure their effectiveness within this group either.

M1 offered those starting out a word of advice:

go into it with your eyes open, know your limitations, establish your networks before you start, get a mentor who you can confide in and who will tell you as it is, set your vision, know your market niche and start there, plan in detail and then check and double check everything, when you start out every dollar counts but don't sell yourself short either – be willing to walk away if it doesn't cover the basic costs. If you don't get a buzz out of what you do or can't sleep at night, work for someone else.

It was interesting the differing views and perspectives brought to the table. Some saw a clear link between consciously setting the strategic direction and planning their business direction, documenting those plans and associated budgets, understanding their market and monitoring the progress as beneficial in establishing and growing their business; others did not. Of those

that did not, the majority were struggling to survive. The focus group provided a venue to establish ongoing network connections.

CONCLUSIONS AND IMPLICATIONS

According to literature sourced, the actual level of strategic planning utilised in establishing businesses is unknown. Indicatively it appears low, impacting business viability and growth; although 62 (56%) of the questionnaire respondents indicated they used strategy tools to establish the business and 75 (67%) had documented plans. Quantifying and correlating the frequency of use to outcomes offered an insight into the benefit or otherwise in establishing businesses. If viable, a framework or source of plans and tools for establishing and running businesses, particularly SMEs, including measuring effectiveness may contribute to the reduction in failure rates currently being experienced.

In exploring strategy literature and drawing on available Australian-based statistical publications that highlight the level of SME failure, a baseline understanding was established. Using a case study (Yin, 1994; 2017) of a 725 member social media entrepreneur group, responses to an anonymous questionnaire were analysed and triangulated (Jick, 1979) with interview participant perspectives and further clarified through a focus group.

The aim was to generate empirical knowledge around the use and potentially measurement of strategic planning in Australian start-ups. With the lack of readily available global knowledge or mentoring for start-ups, they continue to struggle. Banks are the key financial providers for growth, requiring more formalised financial reports. Angel funding or family funding tends to provide ongoing cash flow and start-up funding. Crowd funding is becoming more prevalent.

Through greater understanding of the level of strategic planning engagement and measurement of its effectiveness by those establishing businesses, the development of a guiding framework offers the ability to add to the scholarly-practitioner knowledgebase. Reducing business failure frequency through lack of strategic planning and/or measurement will address one aspect of business failure. The findings offer insights for public policy and business support development.

Even once developed, as Winston Churchill aptly stated 'however beautify the strategy, you should occasionally look at the results'. It is through the use of visioning, strategy and business planning, awareness of the external and internal environments, market analysis and planning, budget/financial planning and the associated measurement of performance and planning effectiveness, viability has the highest level of attainability, leading to business success.

Limitations and Future Research Avenues

A number of limitations were faced in this research; these included being focused on only Australian businesses and predominantly within NSW rather than Australia-wide; and the sample size being 16%, well under an optimal level, equating only an 80% level of confidence with a 5% margin of error.

By quantifying the use of strategy planning, relative to business outcomes, an improved understanding of the impact on business establishment and longevity is attainable. Establishing a framework to aid those exploring the establishment of a new business may reduce the failure frequency. There are notable gaps in services provided and coverage needed for start-ups. This is a gap worth exploring further.

Future research streams to consider are a wider Australian-based start-up audience; a focus on the first twelve months as a key comparative point; and educational understanding of tools used where participants are unaware of the business jargon.

Other avenue to explore is the whether a collaboration between SMEs in scenario planning, an area explored in public sectors by Bowman *et al.* (2015) as strategy tool would provide shared sensemaking in a multi-organisational partnership scenario against the complex economy faced. Such partnering opportunities are considerably under-researched, as is the transferring of such partnership led strategy to individual SMEs.

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