

Review it and update it monthly with appropriate employees.”^v In a 1993 study, Marjorie Lyles examined the planning patterns of small businesses. Lyles used three levels of planning sophistication that were defined in a survey instrument created by Robinson and Pearce to categorize the respondents. The levels were:

- Level 1: No written plan covering at least three years into the future.
- Level 2: A written plan that includes objectives, strategies and resource requirements for at least three years into the future.
- Level 3: A written plan that includes objectives, strategies and resource requirements as well as control procedures and data regarding factors from outside the immediate firm environment for at least three years into the future.

Lyles found that only 38% of the respondents had engaged in some degree of formal planning.^{vi} No distinction was made between level 2 and 3 planners in the study findings.

Does planning make a difference in performance?

According to Robinson and Pearce, planning activities do appear to have a positive impact on the performance of small businesses.^{vii} Defining the scope of that impact has been problematic because the concept of business performance includes so many elements. For example, performance can be measured by business growth, but growth can be determined by changes in the number of new employees, number of product lines, market share and number of markets. Performance can also be measured by revenue, productivity, profitability, and return on investment.^{viii} Lyles found that sales of the businesses categorized as formal planners grew at twice the rate of the sales of those categorized as non-planners.^{ix} Gibson and Cassar found that “regular planners generally experienced higher rates of employment growth” as well as sales growth.^x

Does planning influence decision-making?

Lyles reported that, according to Fredrickson, what happens in the planning process does not always carry over to influence decisions that get made because formal planning and decision-making may be two distinct processes.^{xi} Lyles found that “small businesses which adopt a more formal planning process

will place greater emphasis on improving the quality of the strategic decision-making process” and that it is likely that “as a result of formal planning, small firms consider and adopt more strategies.”^{xii}

The Logical Conclusion:

The statistics on business failure are sometimes daunting. According to David Maloney, studies conducted by Headd, Shane and Phillips & Kirchhoff suggest that 33% of businesses fail for performance-related reasons.^{xiii} With the implications that planning has a positive impact on small business performance, perhaps embedding the planning process into small business practices would reduce this failure rate. In fact, Lyles concludes that “small business owners may realize a competitive advantage through the use of formal planning.”^{xiv} Likewise, Gibson and Cassar conclude that “businesses that are better performers are more likely to use business planning.”^{xv} Both of these conclusions support the recommendations of the SBA and SCORE that formal planning is an appropriate activity for small business.

ⁱ SCORE. (n.d.). 5 Tips on building a sound business plan. Retrieved from http://www.score.org/5_tips_bp_5.html.

^{i,1} US Small Business Administration. (n.d.). Planning and goal setting for the small business [Monograph]. Management and Planning Series, MP-6. Retrieved from http://www.sba.gov/idc/groups/public/documents/sba_homepage/pub_mp6.pdf.

ⁱⁱⁱ Gibson, B., & Cassar, G. (2005, October). Longitudinal analysis of relationships between planning and performance in small firms. *Small Business Economics*, 25 (3), 207-222.

^{iv} SCORE. (n.d.). 5 Tips for making the most of your business plan. Retrieved from http://www.score.org/5_tips_bp_2.

^v SCORE. (n.d.). 5 Tips on building a sound business plan. Retrieved from http://www.score.org/5_tips_bp_5.html.

^{vi} Lyles, M. A. (1993, April). Formalized planning in small business: increasing strategic choices. *Journal of Small Business Management*, 31 (2), 38-50.

^{vii} Robinson, R.B. & Pearce, J. A. (1984). Research thrusts in small firm strategic planning. *Academy of Management Review* 9, 128-137 as cited in Lyles, M. A. (1993, April). Formalized planning in small business: increasing strategic choices. *Journal of Small Business Management*, 31 (2), 38-50.

^{viii} Gibson & Cassar, 2005.

^{ix} Lyles, 1993.

^x Gibson & Cassar, 2003.

^{xi} Frederickson, J. W. (1984). The comprehensiveness of strategic decision processes: Extension, observations, future directions. *Academy of Management Journal*, 27 (3), 445-466 as cited in Lyles, M. A. (1993, April). Formalized planning in small business: increasing strategic choices. *Journal of Small Business Management*, 31 (2), 38-50.

^{xii} Lyles, 1993.

^{xiii} Maloney, David. (2010). Small business failure rate: 9 out of 10? *Small Business Planned*. Retrieved from <http://smallbusinessplanned.com/uncategorized/small-business-failure-rate-9-out-of-10/>.

^{xiv} Lyles, 1993.

^{xv} Gibson & Cassar, 2003.

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