

# *Corporatisation of the Nonprofit Sector: Strategic Planning and Organisational Performance in Disability-Based Organisations*

## **ABSTRACT**

Faced with changing times, disability-based organisations are evolving, from church groups running shelters for 'retarded' people, to providing business services to 'jobseekers'. This evolution has meant that the management function in the disability sector has become a much more complex and multidimensional one, requiring managers to balance the social and commercial realities of the marketplace. This study aimed to explore the effects of strategic planning intensity in disability-based agencies on the organisational performance of those agencies.

The study found that there are statistically significant correlations between the strategic planning intensity levels of disability-based agencies and their respective organisations' performance on two out of the five measures of organisational performance used in the research.

The research will provide some justification and impetus for managers, agencies, and peak bodies to (further) engage in the systematic development and implementation of strategic planning systems and processes. Further, in view of the many environmental changes experienced by the disability sector, such justification may provide the various stakeholders, particularly funding bodies and people with a disability, with a means of helping to ensure that the best possible efficiency and effectiveness outcomes for stakeholders are achieved.

## **INTRODUCTION**

In Australia, as in many other countries, caring and providing for the needs of people with a disability is a national tradition. This tradition of caring and providing for people with a disability continues to evolve in Australia, particularly in terms of the nature of operations, community perceptions and environmentally imposed constraints on management (see Figure 1).

**[Insert Figure 1 here]**

Evolving from church groups running shelters for ‘retarded’ people (with welfare connotations), to providing business services to ‘jobseekers’ (with commercial connotations), is, in both theory and practice a difficult concept for managers to effectively and efficiently operationalise (Goldsworthy, 1999). In essence, there is a requirement to balance the tension between the need for business services to pursue profitable business activities, while at the same time providing support services (e.g. vocational training and education, and life skills) to consumers (Murnane, 1994).

Balancing this tension is only one of the key factors facing disability-based organisations. Such organisations are operating in an environment where the government dollar is becoming scarcer and now comes with more stringent accountability and performance standards, and with market-driven policies. Clients must voluntarily participate or organisations will cease to exist. Performance based funding therefore necessitates an emphasis on service quality in accordance with the Disability Services Standards set down by the Australian Federal Government.

Attaining and sustaining sufficient standards of service should be assisted by the adoption of sound management practices. The adoption of such practices from the corporate sector, including strategic planning, should facilitate efficient and effective management practices, notwithstanding the reservations held by many not-for-profit agencies about the applicability of for-profit management practices and procedures. Reservations are also held by many not-for-profit agencies about the applicability of for-profit measures of organisational performance. This exploratory study examined these issues in disability-based organisations.

## **BACKGROUND**

### **Disability sector**

The disability sector is part of a broader group of organisations, generally referred to by the Industry Commission (1994) as Community Social Welfare Organisations (CSWOs). This broader group provides care, accommodation, support and counselling or training to children, families, people with a disability, older people, the unemployed, those suffering addictions, the homeless, refugees, and members of ethnic communities.

CSWOs have traditionally embraced the values of philanthropy, voluntarism, and independence (Green & Griesinger, 1996), with management serving as the organisation's collective conscience (Jeavons, 1994). As previously stated in the introduction, in recent years the sector (including disability-based organisations) has evolved. Shrinking economic resources and a shift in responsibility from government to the not-for-profit sector has created a more competitive climate among not-for-profit organisations (Salamon, 1985, 1989). Not-for-profit firms now compete with one another for donations, membership, and clients (Steinberg, 1987).

These environmental factors have also created a climate conducive to adopting management structures and practices from the corporate sector (Bryson, 1995; Delbecq & Gill, 1988; Kovner, 1990; Nutt & Backoff, 1992, 1993; Shortell, 1989; Shortell, Gillies, & Devers, 1995). Despite calls for not-for-profit organisations to become more business-like (Fine, 1990; Steckel, Simons & Langsfelder, 1987; Unterman & Davis, 1984), there is however surprisingly little evidence of not-for-profit organisations adopting corporate governance (including organisational performance and strategic planning) practices (Alexander & Weiner, 1998; Jenster & Overstreet, 1990; Odom & Box, 1988; Tober, 1991; Wolch, 1990).

What available evidence there is is mainly limited to anecdotal reports and case studies (Busch, 1992; Cnaan, 1996; Eisenberg, 1992; 'For-profit tactics take hold', 1989; Mason, 1994). The few empirical studies conducted have been limited to cross-sectional analyses of individual features of the corporate governance model (Alexander, Morlock & Gifford, 1988). For example, King (1998) found that only 31 per cent of not-for-profits had a strategic plan and of these, most had larger budgets, with a greater availability of resources and staff time to devote to planning (Young & Sleeper, 1988), and possibly more managerially sophisticated executive directors (Wolch, 1990).

There is however an acknowledgment that, given the deep rooted, conservative operating characteristics, resources and infrastructure of not-for-profit and public sector agencies, for-profit standards of efficiency and effectiveness may not necessarily reflect the underlying goals and objectives (Hedley, 1998). An example of the underlying goals and objectives might be the degree of public benefit achieved (Hatry, 1978). Further, such agencies might not be able to take up the corporate model, at least in the

short-term (Greenwood & Hinings, 1988; Hannan & Freeman, 1984; Starkweather, 1988).

### **Strategic Planning**

Although strategic planning is a key concept in management research, there has been little consistency in its conceptualisation or measurement (Boyd & Reuning-Elliott, 1998). Inattention to construct measurement is a major impediment to the advancement of the strategy field (Snow & Thomas, 1994), and limits the generalisability and comparability of research studies.

Apart from the inconsistency of approach (Venkatraman & Grant, 1986), the problems generally relate to an almost exclusive preoccupation with financial payoffs from planning (Ramanujam & Venkatraman, 1987a), and an inadequate treatment of the breadth of the planning construct which varies from unidimensional to multidimensional and from interval to ordinal categories (Boyd, 1991; Pearce, Freeman & Robinson, 1987). Also, most of the studies did not report tests of the reliability or validity of their measures, nor did they balance precision with parsimony (Boyd & Reuning-Elliott, 1998).

Distinguishing the degree of planning activity has been difficult for researchers seeking to measure the impact of planning activity on financial performance. A review of available empirical studies disclosed conflicting findings in the planning evaluation area.

Empirical studies in small firms have generally employed single dimension measures such as the presence or absence of planning, or its degree of formality. These notions are inconsistent with the multidimensional nature of planning systems that is prevalent

in the general strategic planning literature (Dyson & Foster, 1982; Kargar, 1996; King, 1983; Kukalis, 1991; Lorange, 1979, 1980; Ramanujam & Venkatraman, 1987a; Rhyne, 1987; Veliyath & Shortell, 1993). This failure to distinguish between performance-related characteristics of the planning process associated with performance from organisation to organisation has been seen to be responsible for some of the inconsistencies in the research (Armstrong, 1982).

Although many strategic planning system characteristics have been presented in the literature, no consensus seems to exist. For example, many researchers have developed a wide range of indicators intended to reflect how closely a firm's planning activities reflect those developed by normative strategy literature such as shown in Figure 8, and how formal or important those indicators are (Pearce, Freeman & Robinson, 1987).

Other studies have measured planning as skills and abilities. For example Ramanujam & Venkatraman (1987b) proposed six dimensions of planning systems: use of techniques, attention to internal facets, attention to external facets, functional coverage, resources provided for planning, and resistance to planning.

In another attempt to categorise strategic planning systems, Veliyath & Shortell (1993) identified five dimensions: planning implementation, market research competence, key personnel involvement, staff planning assistance, and innovativeness of strategies. However, these studies focused on large firms.

And in a 1996 study of small banks, Kargar used five strategic planning system characteristics: the degree of internal orientation of the system, the degree of external orientation of the system, the level of integration achieved within functional

departments, the extent of key personnel involvement in the planning process, and the extent of use of analytical techniques in addressing strategic issues. This study incorporated the latter characteristics. The characteristics are described in more detail in Table 1.

**[Insert Table 1 here]**

### **Organisational performance**

It is apparent that there has been a growing concern within the business and academic research community to discover better ways of assessing organisational performance (e.g. Chow, Ganulin, Haddad & Williamson, 1998). The much-celebrated 'philosophical' works of Peters & Waterman (1982), Clifford & Cavanagh (1985), Goldsmith & Clutterbuck (1984), Peters (1987) and Waterman (1987) have often been methodologically criticised (Aupperle, Acar & Booth, 1986; Carroll, 1983; Hitt & Ireland, 1987; Jacobson, 1990; Johnson, Natarajan & Rapaport, 1985; Taylor & Paul, 1986; Tuleja, 1985).

There is an increasing interest in the concept, both in the for-profit and the not-for-profit sectors, due to the financial and competitive pressures facing all organisations, a growing awareness of the importance of organisational structure and management, an increasing demand for accountability, and a desire to secure a distinctive competence. This is the case particularly in relation to Community Social Welfare Organisations (Chor-fai, 1996; Kovner, 1990).

The interest in organisational effectiveness is comparatively recent among social work scholars however (Chor-fai, 1996). Although the early 1970s saw a flurry of social work literature on effectiveness accountability and efficiency accountability, for the last two decades the human services literature essentially ignored the concept (Martin & Kettner, 1997). Forces outside the field have not however, particularly those broad-based contemporary efforts directed at promoting increased accountability in government, and the resultant focus on performance measurement will affect the survival and continuity of all such programs (Martin & Kettner, 1997).

This focus on performance measurement of human service agencies has no doubt prompted a growing interest in the topic of organisational effectiveness of Community Social Welfare Organisations (CSWOs) since the 1980s (D'Aunno, Hooijberg & Munson, 1991; Ezell, Menefee & Patti, 1989; Kettner, Moroney & Martin, 1990; Malka, 1989; Patti, Poertner & Rapp, 1987; Rapp & Poertner, 1992; Tsui, 1990), particularly with the realisation that increasing the level of effectiveness of such organisations increases the quality of life in our communities (Sheehan, 1994).

However, the general question of how to understand and assess the performance of charitable not-for-profit organisations continues to challenge practitioners and scholars alike (Fottler, 1981; Hatten, 1982; Herman & Renz, 1997; Kanter & Summers, 1987; Newman & Wallender, 1978, Nutt, 1984). For example, is a not-for-profit organisation with rapidly growing revenues and an increasing surplus more effective than one that is cutting back and running a deficit? In their 1998 study (which included developmental disability service organisations) Herman & Renz, found that, amongst other things, practitioners identified measuring satisfaction, and having a plan as criteria they used to

evaluate their own and other not-for-profit organisations. These factors were also identified as being important by focus groups in this study.

It might be intuitively obvious that any valid model of organisational performance must be multidimensional in nature, particularly with regard to the above factors, in addition to measures of system capability, system characteristics, degree of planning, financial performance, and goal attainment (e.g. Brown & Laverick, 1994; Hoy & Miskel, 1987, 1996; McKiernan & Morris, 1994).

Nevertheless, despite the importance of, and interest in the concept, operationalisation and measurement of performance is a major weakness in strategy research (Venkatraman & Ramanujam, 1986). In this study, organisational performance was measured using an integrated model of organisational effectiveness and performance, based on the goal and system resource perspectives as developed by Hoy & Miskel (1996) from the work of Campbell (1977), Etzioni (1964), Parsons (1960), Steers (1975), and Yuchtman & Seashore (1967).

## **Literature Review**

Although the latest published meta-analytic reviews found that strategic planning positively influences firm performance, and that methods factors were primarily responsible for the inconsistencies reported in the literature (Miller & Cardinal, 1994), few of these studies concerned small to medium sized organisations. Further, none used a multidimensional measurement of performance incorporating Parsons' (1960) four functional imperatives – adaption, goal attainment, integration, and latency. Indeed, Baume & Kay (1995) found that ‘The goal of the DSP is muddled. Unless the DSP goal is clear, it is not possible to evaluate the DSP’s effectiveness. Setting the goal (or a

hierarchy of goals) is the prerequisite to the development of strategies to meet the goals.' (p.2).

Further, few concerned not-for-profit organisations and none examined disability sector organisations. Generally, little attention or research has been paid to disability issues in the management literature, or industrial/organisational psychology (Stone & Colella, 1996; Stone, Stone & Dipboye, 1992).

The argument that strategic planning has a fundamental, positive impact on performance has strong intuitive appeal, and has been empirically tested many times. Further, the prescriptive management literature strongly advocates strategic planning as a key to superior performance (Glaister & Falshaw, 1999). A review of the relevant literature has identified 80 empirical studies. Table 2 provides a summary of the researchers, categories of firms, and overall research findings. Overall, it can be seen that 49 (61 per cent) of the studies identified a favourable link between strategic planning and performance, with a further 8 per cent giving qualified support. These results would suggest that there is broad support in the literature for the link.

**[Insert Table 2 here]**

This however is a tentative conclusion, as it is based on mixed evidence. Further, a closer analysis of the methodologies used suggests that a caveat needs to be expressed when drawing such conclusions. Such a caveat has been noted in several reviews (Armstrong, 1982; Greenley, 1986, 1993, 1994; Kudla, 1980; Pearce, Freeman & Robinson, 1987; Rhyne, 1986; Shrader, Taylor & Dalton, 1984). From these reviews,

the consensus of opinion was that the studies were confusing and contradictory to reconcile.

Empirical support for a favourable link between strategic planning and performance was first found in the seminal studies by Ansoff et al. (1970), Thune & House (1970), and Herold (1972).

The second wave of research sought to establish more rigorous methodologies for measuring strategic planning formality. Fulmer & Rue (1974) sought to discriminate between four types of planners – primary, pro-forma, program-predictive, and impoverished. This attempt proved unsuccessful, as did the following studies – Kudla (1980), who classified planners as non-planner, incomplete planner and complete planner; Leontiades & Tezel (1980), who experimented with the importance of planning; and Klein (1981), who classified planners in terms of levels.

Recognising the above negative findings lead to a third wave of empirical research which attempted to employ richer conceptualisations of planning. Wood & La Forge (1979, 1981) sought to classify organisations based on a seven-level Guttman-type of planning sophistication (Guttman, 1944, 1947). A score of zero on the scale implies a complete absence of planning, while a score of six indicates comprehensive planning. Wood & La Forge concluded that comprehensive long-range planners significantly out-performed those with no formal planning system.

Frederickson & Mitchell (1984) and Frederickson (1984) proposed other multidimensional formality constructs. Both studies defined comprehensiveness as a measure of rationality. The former study tested the relationship in an unstable

environment, and the latter in a stable environment. Comprehensiveness as defined by the researchers was found to be positively related to performance in a stable environment, and negatively related to performance in an industry with an unstable environment.

The rest of the 1980s saw researchers continuing to focus on planning sophistication. Bracker & Pearson (1986), Robinson & Pearce (1988), Bracker et al. (1988), and Odom & Boxx (1988) all reported favourable results.

Significant progress in developing the planning–performance literature was reflected in the study by Capon et al. (1988). One of the major issues addressed was that of classification of planning. Capon et al. developed four categories of planning through a deductive approach: corporate strategic planners, division strategic planners, corporate financial planners, and division financial planners. Their findings were encouraging, but they pointed out that although strategic planning can improve performance, it is not a necessary condition.

Boyd (1991) published a long and detailed meta–analytic review that involved aggregation of 29 samples on a total of 2496 organisations. He surprisingly overlooked the contribution by Capon et al. (1988), which was brought to his attention in Capon, Farley & Hulbert (1994). Boyd concluded that the results of previous research were equivocal. He pointed out that that existing research was subjected to a great deal of management errors, which underestimated the benefits of planning. Second, although the average effect size was small, many firms did not report significant, quantifiable benefits from participating in the strategic planning process. To advance the strategic planning–performance literature, he argued for more rigorous measures for formal

planning, controls for industry effects, and separate analysis for the various dimensions of organisational performance. All these aspects were incorporated into the current research.

Later meta-analytic reviews (Capon et al., 1994; Miller & Cardinal, 1994) were generally more positive towards the overall relationship.

Generally, all the studies including small business studies, have lacked control of extraneous, independent variables that could have influenced performance, and ignored general economic conditions and government factors, and did not control for inter-industry differences (Beard & Dess, 1981; Kudla, 1980; Robinson & Pearce, 1983). Approaches to operationalising formality have also been overly simplistic (Leontiades & Tezel, 1980), focusing on 'selected' aspects of the strategic planning process and defining planning as the formality or importance associated with those indicators (Pearce, Freeman & Robinson, 1987).

The focal organisation of most research studies concerning planning and performance has typically been a business or industrial firm. Few researchers have studied these issues in not-for-profit firms (Kohl, 1984; Stone, Bigelow & Crittenden, 1999; Wortman, 1979, 1988), despite the importance of understanding how not-for-profits are different from, as well as how they are similar to, business and government organisations (Stone, 1989), and the realisation that not-for-profits are also operating in an era when they depend strongly on business acumen and resources raised in the marketplace while carrying out public service objectives (Young, 1997).

Over ten years ago, Peter Drucker argued that many not-for-profit firms had rejected commercial organisations' preoccupations with efficiency and the 'bottomline (Drucker, 1989). Since then however, many not-for-profit firms have adopted strategic planning and control systems as a form of operational discipline (Davies, 1994; Parker, 1998; Richardson & Hawkins, 1995), in their drive to become more business-like, despite in many cases not having the managerial skills, capacity and credibility (Dees, 1998).

Sandler & Hudson (1998) have gone as far as categorising better not-for-profit firms as bold and daring, challenging the outdated assumptions about the hidebound, slow and unresponsive organisations that common knowledge tells us predominate outside the innovative, fast-moving business world.

The subject of strategic planning per se has however been studied in relation to churches (Hussey, 1974; Kohl, 1984; Odom & Boxx, 1988; Webb, 1974) while planning processes and its benefits has also been studied on occasion (McDonough, 1975; Schaller, 1979; Schaller & Tidwell, 1975; Van Auken & Johnson, 1984). Stone (1989) found organisational size (and corporate base) to be a significant predictor of the adoption of formal planning by nonprofits. The smaller the organisation, and the smaller the corporate base of the geographical region, the less the likelihood of the adoption of formal planning.

As can be seen from Table 2, published empirical studies linking strategic planning and organisational performance for non-profit organisations are few. Van de Ven (1980) found a positive relationship in a community child care setting, and the Odom & Boxx (1988) study found a significant relationship between the growth rate of the churches studied and the level of planning sophistication (intensity). Not-for-profit U.S. credit

unions were also examined by Jenster & Overstreet (1990) who concluded that formal planning results in superior performance along important growth criteria. Whether planning leads to growth or growth stimulates the need for formal planning is unclear because the studies did not examine causality.

The lack of research on strategic planning in 'nonbusiness' organisations was originally commented on by Hofer (1976), a view later reinforced by Schendel & Hofer (1979), and Stone & Crittenden (1993). Moreover, Stone & Crittenden opined that the research category of performance and related top manager's roles was a noticeable gap in the literature. And in 1998, Sandler and Hudson bemoaned the absence of books on top-performing not-for-profit organisations in the management section of any bookstore.

Although there have been important gains, the amount of research on not-for-profit organisations is still quite small and rather fragmented (Applied Research and Development Institute, 1997; Jenster & Overstreet, 1990; Stone, Bigelow & Crittenden, 1999). The gains since 1990 do however represent a quantum leap in published material concerning strategic management of not-for-profit organisations (Stone & Crittenden, 1993). Most of the gains have however been in the not-for-profit hospital, higher education, and performing arts settings (Wortman, 1988).

## **METHODOLOGY**

### **Design**

The basic Hoy & Miskel (1987) model of organisational effectiveness was operationalised using measurement tools from the literature in the two main research

areas (see Figure 2 below). This self assessed framework measured the organisational performance construct of the study, while the strategic planning construct was also self assessed using a measurement tool developed by Ramanujam & Venkatraman (1987b). Financial performance was measured by a questionnaire (profitability) item. This approach was consistent with the Veliyath & Shortell (1993) study. The financial data was validated with a subset of disability sector agencies for which accounting data was available as contained in the annual reports.

The overall measures of organisational effectiveness were also compared to confidential 'ratings' provided by the Commonwealth Department of Health and Family Services.

Consistent with all previous quantitative research on the constructs of training and education, strategic planning, and organisational performance, the unit of analysis for this study was the organisation because the ultimate dependent variable was organisational effectiveness – a property of the organisation.

The final questionnaire was distributed by mail to all participants.

## **Sample**

The sample comprised the total population of Tasmanian and Victoria disability sector organisations. The population of 588 represented the complete industry in those two States, and although estimates vary, the number of managers and staff to whom the survey was intended to reach was estimated to be at least 1,500 managers and at least 15,000 staff (DISTSS, 1999).

Questionnaires from a total of 148 organisations in Victoria and Tasmania were returned by the final date set for data entry. This represented a 25 per cent return rate based on the estimated number of 588 agencies in Tasmania and Victoria.

From these organisations, questionnaires from 279 managers and 643 staff were received. Of these, 28 of the manager's questionnaires (and the 11 organisations from which they originated, as they were the only responses) were excluded from analysis due to incomplete data, giving a final organisational return rate for managers of 23.3 per cent. Sixty-two of the staff questionnaires were excluded from analysis for the same reason, giving a final organisational return rate for staff of 23.8 per cent.

## **RESULTS**

The overall results of the data analysis using Spearman's Rho correlation are shown in Table 3 below.

**[Insert Table 3 here]**

Although the correlations were weak, all of the dimensions of strategic planning and strategic planning overall were significantly related (at the .01 level of significance) with each other, and there were also significant (at the .01 level of significance) correlations between all the various measures of organisational performance. Overall organisational effectiveness (Mott, 1972) was positively correlated to objective fulfilment (Ramanujam et al., 1986) and was significant at the .01 level; job satisfaction (Miskel, 1982) was positively correlated to objective fulfilment and was significant at

the .01 level; and central life interests (Hoy & Miskel, 1987) was positively correlated to job satisfaction and was significant at the .05 level.

The strategic planning construct was found to be a significant predictor of organisational performance in a number of respects. Overall, the strategic planning construct showed high explanatory values in relation to the variance of objective fulfilment and central life interests (at the .01 and .05 levels of significance respectively). Similarly, the external orientation dimension was a significant predictor of the same measures (both at the .01 level of significance). Also, functional integration and use of key personnel dimensions were found to be highly correlated (both at the .01 level of significance) with the objective fulfilment measure of organisational performance.

On a State by State basis, there were important differences from the overall situation, principally in Tasmania. Victorian agencies showed similar correlations to the aggregate, although size ceased to be a significant predictor of the degree of emphasis of external orientation. Further, functional integration and key personnel involvement dropped out as a significant predictor of objective fulfilment, and strategic planning and external orientation diminish in significance (to .05).

On the other hand, Tasmanian agencies demonstrated little association at all between the two constructs and their various dimensions and measures. There were also no significant relationships between the various measures of organisational performance with the exception of job satisfaction with organisational effectiveness – a negative correlation significant at the .05 level of confidence. The correlations between the various strategic planning dimensions were also weaker than those in the overall

population, and those in Victoria. Two hitherto significant relationships (internal orientation and use of key personnel, and external orientation and use of key personnel) ceased to be significant in Tasmanian agencies, and four other correlations exist at the 95 per cent level of confidence rather than the 99 per cent level.

The correlations were supported by the various regression analyses conducted.

## **DISCUSSION**

There are three key findings of this study which have been identified.

### **Strategic planning and organisational performance**

*Strategic planning intensity does have an effect on organisational performance in disability-based organisations, as measured by (self assessed) objective fulfilment and central life interests, with higher intensity levels of strategic planning and the component dimensions associated with higher performance*

From Table 3, the strategic planning construct in this study was found to be a significant predictor of organisational performance in a number of respects. Firstly, strategic planning and the external orientation dimension were positively and significantly correlated with the objective fulfilment and central life interests measures of organisational performance. Secondly, the functional integration and use of key personnel dimensions were found to be highly positively correlated with the objective fulfilment measure of organisational performance. As a consequence, it would appear that strategic planning does have an effect on organisational performance (both self assessed) in this study.

Therefore, the prescriptive management literature which strongly advocates strategic planning as a key to superior performance (Glaister & Falshaw, 1999), and the 49 (61 per cent) of the 80 studies which identified a favourable link between strategic planning and performance would appear to be strengthened by this finding. It should be reiterated however that the favourable link in the literature is a tentative conclusion, as it is based on mixed evidence and is subject to a caveat (Armstrong, 1982; Greenley, 1986, 1993, 1994; Kudla, 1980; Pearce, Freeman & Robinson, 1987; Rhyne, 1986; Shrader, Taylor & Dalton, 1984).

The finding that strategic planning itself and the functional integration dimension of strategic planning, as self assessed, have an effect on organisational performance, specifically objective fulfilment, perhaps suggests that those organisations that plan more strategically using an open systems approach are more likely to perform well. Because one of the component measures of objective fulfilment is improved management development, this finding may also suggest that organisations that have a more intense level of strategic planning are more likely to demonstrate an improvement in management development.

In relation to the significant correlation found between key personnel (CEO, line managers, Board members and all staff) involvement and objective fulfilment (both self assessed), it can be suggested that a human services sector orientation (collaborative, collegial, and consultative) matched by organisational arrangements is most likely to achieve organisational goals. As discussed, much of the early research (Andrews, 1971; Ansoff, 1965; Brodwin & Bourgeois, 1984; Chandler, 1972; Cotton, 1970; Hall, 1977; Schendel & Hofer, 1979; Shagory, 1975; Summer, 1961; Wildavsky, 1973) seemed to

imply a “top management only” perspective when discussing the make-up and contributions of people responsible for planning within a firm. Morgan (1997) opined that it is this top management approach which encourages single-loop learning but discourages the double-loop thinking so critical for the evolution and emergence of intelligence.

Further, the finding that a more intense external orientation is significantly correlated with objective fulfilment (both self assessed) might suggest that organisations which are more able to monitor the external environment incorporating sponsoring and funding bodies are more likely to achieve organisational goals.

In relation to causation, Hopkins & Hopkins (1997) found a reciprocal relationship between strategic planning intensity and performance. That is, strategic planning intensity causes better performance, and, in turn, better performance causes greater strategic planning intensity. More research would be required to ascertain whether such a causal relationship existed in disability organisations in this study.

Further and in relation to small business research, the above finding is in agreement with that of Robinson & Littlejohn (1981) who, during the 1980s asserted that virtually all of the studies to that point had found the use of planning to be much higher in successful than unsuccessful firms. Also, in 1984, Robinson, Pearce, Vozikis & Mescon found that a rather consistent, positive relationship existed between the extent of planning activities and the performance of small business.

The results of this study also accord with Orpen’s (1985) finding which strongly suggests that small firms that perform well conduct the long-range planning process

differently than small firms that perform poorly. This difference is essentially due to the comprehensiveness (quality) of the process. Orpen (1985) found that for mixed small businesses, those undertaking more comprehensive long-range planning experienced improved performance relative to those that undertook less comprehensive planning. And in 1986, Robinson, Logan & Salem found significantly higher levels of perceived performance for those firms engaging in strategic planning, a similar finding to this current study.

On the other hand, the above finding refutes the 1983 and 1984 studies of Robinson & Pearce who found no significant performance differences between formal and non-formal small business planners, and that of Gable & Topol (1987) who found that, for small-scale Australian retailers, a positive relationship was not supported.

Finally, the high level of intensity with which not-for-profit organisations in the disability sector in this study apparently conduct their strategic planning processes (mean of 3.7 out of 5 or 74 per cent) may tend to confirm the view that, since 1989, many not-for-profit firms have adopted strategic planning and control systems as a form of operational discipline (Davies, 1994; Parker, 1998; Richardson & Hawkins, 1995). This level of adoption is the case despite in many cases not having the managerial skills, capacity and credibility to do so (Dees, 1998).

### **Strategic planning and organisational size**

*Organisational size has a relationship with strategic planning intensity in disability-based organisations, with smaller organisations being self assessed as having a lower intensity on the external orientation and use of key personnel dimensions of strategic planning*

As can be seen in Table 3, organisational size does have a relationship with certain aspects of strategic planning. The smaller the organisation (and less well educated in terms of the top management team), the less emphasis on analysing government and political issues, competitive trends, supplier trends, external client and customer preferences, and technological trends, and on performing market research. There is also less emphasis on strategic planning by the CEO, by line managers, by Board members, and on involving all staff.

This finding is perhaps surprising given the collegial, collaborative and consultative nature of the disability sector (DISTSS, 1999), and the predominance of small to medium sized organisations in the study. Perhaps the finding indicates that larger organisations plan more on these two dimensions so as to manage their external environment more strategically and with larger numbers of staff. In addition, it might also reflect the transfer of training principle discussed in the previous section that small disability agencies may decide that it is not appropriate to use formal strategic planning techniques. This finding may also reflect the lack of perceived need for strategic planning systems in smaller organisations that may result from the lower educational levels of managers in those organisations.

Alternatively, this finding could be explained in terms of Stone's (1989) study. Stone found organisational size (and corporate base) to be a significant predictor of the adoption of formal planning by not-for-profits. The smaller the organisation, and the smaller the corporate base of the geographical region, the less the likelihood of the adoption of formal planning.

The above finding could also support in some respects the Robinson, Pearce, Vozikis & Mescon (1984) assertion that small firms are not suited to formal strategic planning, as it is essentially a conceptual activity suited solely to larger firms. More (qualitative) research is required to ascertain whether any or all of these explanations could in part explain this current finding.

Overall, this finding is consistent with the general not-for-profit literature. For example, King (1998) found that only 31 per cent of not-for-profits had a strategic plan and of these, most had larger budgets, with a greater availability of resources and staff time to devote to planning (Young & Sleeper, 1988), and possibly more managerially sophisticated executive directors (Wolch, 1990).

This finding is also consistent with Bantel (1994) who examined the effect of top management team demography on the strategic planning dimension of planning openness in a sample of retail banks. After controlling for firm size and performance volatility, Bantel found that low tenure mean, low education mean, and functional heterogeneity had an influence on planning openness.

In any event, this aspect of the research should not be open to the same criticism as that of the early small business research that researchers have not controlled for, amongst other things, firm size (Grinyer, Al-Bazzaz & Yasia-Ardekani, 1986; Shrader, Mulford & Blackburn, 1989). It seems clear from this study that larger organisations demonstrate a higher intensity (effectiveness) of planning across the external and key personnel dimensions of strategic planning.

### **Strategic planning and organisational location**

*Organisational location has a relationship with strategic planning systems in disability-based organisations with systems in Victorian organisations being more intense as compared to Tasmanian organisations*

The above result relating to strategic planning is not reflected in statistically significant differences or correlations between the States. However, on a State by State basis, there are important differences from the overall correlational situation, principally in Tasmania. Victorian agencies show similar correlations to the aggregate, while on the other hand, Tasmanian agencies demonstrate little association at all between the two constructs and their various dimensions and measures.

Generally, strategic planning systems (as self assessed) are more intense in Victorian as compared to Tasmanian organisations. On all dimensions of strategic planning apart from functional integration, respondent Victorian managers self assessed their organisations as performing at a higher or more intense level.

This result may have been affected by the small Tasmanian sample size but may also have been affected by the size of respondent organisations in Tasmania, or other regional characteristics. Again, further research is required to gain more insight into the nature of the finding and possible explanations.

Inherent in the above finding is the notion that the intensity with which organisations undertake the strategic planning process in general may be linked not only to organisational location, but also to the size of organisations in those locations. As discussed above, strategic planning intensity is related to organisational size. Although organisational location and organisational size are not significantly related in a

statistical sense in this research, it may be the case that the small Tasmanian sample size and size of respondent Tasmanian organisations may have affected the results.

## **CONCLUSIONS**

Wortman (1988, 431–432) first identified the conceptual issues of evaluation and efficiency/effectiveness as being important in not–for–profit organisations.

This current research attempted to in part at least, respond to Wortman’s (1988) and more recently Stone, Bigelow & Crittenden’s (1999) call for descriptive, exploratory studies to attempt to define variables that require statistical testing.

It seems clear that in this instance, there is at least qualified support for disability sector agencies adopting management structures and practices from the corporate sector (Bryson, 1995; Delbecq & Gill, 1988; Kovner, 1990; Nutt & Backoff, 1992, 1993; Shortell, 1989; Shortell, Gillies & Devers, 1995), in particular strategic planning.

The changing nature of the disability sector has been mentioned previously, incorporating the impetus of many agencies to become more financially diverse and not totally reliant on government funding. The desirability of, and success of agencies in working towards and achieving this goal may in part be supported and explained by the finding of this research that those organisations which have a more intensive external orientation are more likely to achieve organisational goals. The implications are particularly relevant for smaller agencies.

Although as far as the outcomes of this particular research are concerned, to some extent the small number of respondents in Tasmania reduced the statistical power of the conclusions, in that a Tasmanian effect, or difference between States, needed to be larger than a corresponding Victorian effect in order to appear as statistically significant.

To some extent also the low overall percentage of respondent organisations and managers reduced the statistical power of the conclusions. Particularly with larger organisations, it was also difficult to separate top team managers from other managers. However, as most of the respondents were from small and medium sized organisations with mostly one level of management (but a maximum of two) (DISTSS, 1999), the validity of the overall results particularly as they apply to small and medium sized organisations should not be seriously challenged.

Further, because this research was limited to the disability sector in two States, Victoria and Tasmania, the results may not be generalisable to other States in Australia, or to other industry sectors, or countries. It is likely however, that, if the disability sector and geographical demographics of other States in Australia are similar to those in Victoria and Tasmania, the results may indeed be generalisable. This assumption may be questionable however, because even if it is the case that the disability sector and geographical demographics of other States in Australia are likely to be similar to those in Victoria and Tasmania, the different findings in a few variables (or relationships) between States in this study may be repeated in those other States.

One variable that is unlikely to differ significantly in disability-based agencies from State to State is that of profitability. The difficulties experienced in this current research

in using profitability as a valid and reliable measure of assessing the organisational performance of charitable not-for-profit organisations tends to support the difficulties found by previous researchers as mentioned previously.

In relation to the use of self-reported data in this study, this method represented an opportunity for the consideration of intervening variables, but incorporated the problem of historical bias due to dependence on the memories of respondents.

The final limitation relates to the generic nature of the planning-performance research. As previously stated and in common with other observational studies where a true manipulation is not possible, in seeking to define the relationship between planning and performance, it is difficult to establish what performance would have been achieved by a planning organisation if planning had not been undertaken.

Although the results of this (exploratory) study have significant implications for theory, policy and practice in the disability sector, it should be reiterated that it is the first and only such study in the sector involving the two constructs of strategic planning and organisational performance.

Consequently, there are several key areas where further such research in the disability sector could be undertaken, prior to possibly examining the three research questions in other regions of Australia, other countries, or other industry settings. As with this current study, such research should also consider removing some or all of the limitations mentioned in the previous section.

The key areas in the disability sector where further research might meaningfully be undertaken would include:

- (i) further exploration of organisational performance (and the learning organisation) so as to determine whether other measures of organisational performance might be applicable to the sector;
- (ii) further exploration of what other factors, internal and external including organisational size, might have an impact on strategic planning in disability-based organisations;
- (iii) further exploration as to whether strategic planning affects organisational performance directly, or do other strategic activities intervene; and
- (iv) further exploration of the processes by which a human services sector orientation and organisational arrangements are most likely to achieve organisational goals.

Finally, all disability sector organisations and staff should be aware of the benefits of strategic planning in assisting their organisation to adapt to their environment, and in so doing work towards balancing the tensions between the business and the people. In this way, survival and growth of disability based organisations will be facilitated, and outcomes for people with disabilities will be enhanced thereby achieving a more efficient and effective use of society's resources.

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**TABLE 1**

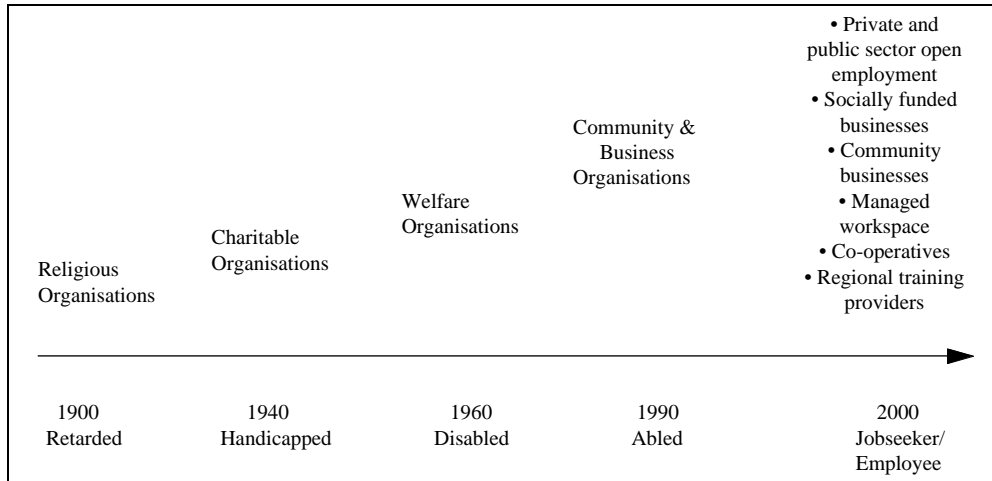
## Dimensions of strategic planning systems

<b>Characteristics</b>	<b>Description</b>	<b>Supporting literature</b>
<i>Attention to internal factors</i>	Internal analysis of performance including strengths and weaknesses	Camillus & Venkatraman (1984); Chakravarthy (1987); Grant & King (1982); King & Cleland (1978); Lorange & Vancil (1977); Steiner (1979); Stevenson (1976);
<i>Attention to external factors</i>	External analysis of performance including opportunities and threats	Andrews (1971); McDaniel & Kolari (1987); Ramanujam et al. (1986a); Snow & Hrebiniak (1980); Veliyath & Shortell (1993)
<i>Functional integration</i>	Integration of individual functions into holistic management perspective	Hitt, Ireland & Palia (1982); Hitt, Ireland & Stadler (1982); Lorange (1980); Snow & Hrebiniak (1980); Ramanujam et al. (1986a); Ramanujam & Venkatraman (1987b)
<i>Key personnel involvement</i>	Extent of management and Board of Management involvement in planning processes	Govindrajan (1986); Kukalis (1991); Mowday et al. (1982); Ramanujam & Venkatraman (1987b); Steers (1977); Swieringa & Moncur (1974); Veliyath & Shortell (1993)
<i>Use of analytical techniques</i>	Degree to which planning techniques are used in problem solving	Frederickson (1984); Grant & King (1982); Hax & Majiluf (1984); Hofer & Schendel (1978); Ramanujam & Venkatraman (1987b)

**FIGURE 1**

**Disability Sector Organisational Timeline**

(Adapted from Australian Strategic Services, 1997)



## FIGURE 2

Dimensions, indicators, and measurement tools of organisational performance used for study

<b>Dimensions of effectiveness</b>	<b>Indicators of effectiveness chosen for the thesis</b>	<b>Measurement tools for each indicator of effectiveness</b>
<i>Adaptation</i>	Adaptability - flexibility	Mott (1972) Refer Questionnaire 1, Section C, Part A
<i>Goal Attainment</i>	Achievement Productivity Efficiency Quality	Ramanujam et al. (1986a) Refer Q 1, Sec. C, Part B Mott (1972) Refer Q 1, Sec. C, Part A Mott (1972) Refer Q 1, Sec. C, Part A Mott (1972) Refer Q 1, Sec. C, Part A
<i>Integration</i>	Satisfaction	Miskel & Gerhardt (1974); Miskel, Glasnapp & Hatley (1975); Miskel, DeFrain & Wilcox (1980) Refer Q 1, Sec. C, Part C (1-7)
<i>Latency</i>	Central life interests	Miskel, Glasnapp & Hatley (1975) Refer Q 1, Sec. C, Part C (8-14)

**TABLE 2**

Studies relating strategic planning to organisational performance

Researcher(s)	Category of firms studied	Findings
Henry (1967)	Manufacturing firms	Positive relationship
Ansoff et al. (1970)	Manufacturing firms	Positive relationship
Eastlack & MacDonald (1970)	Manufacturing firms	Positive relationship
Gershefski (1970)	Manufacturing firms	Positive relationship
Thune & House (1970)	Small manufacturing firms	Positive relationship
Ansoff et al. (1971)	Manufacturing firms	Positive relationship
Herold (1972)	Small manufacturing firms	Positive relationship
Fulmer & Rue (1974)	Non/durable goods and service industries	No across-the-board relationship
Grinyer & Norburn (1975)	Manufacturing firms	Positive relationship not supported
Karger & Malik (1975)	Manufacturing firms	Positive relationship
Malik & Karger (1975)	Manufacturing firms	Positive relationship
Sheehan (1975)	Manufacturing firms	Positive relationship not supported
Burt (1978)	Australian retail firms	Positive relationship
Kallman & Shapiro (1978)	Motor Freight Industry	Positive relationship
Ang & Chua (1979)	Manufacturing firms	Positive relationship
Robinson (1979)	Small Service firms	Positive relationship
Wood & LaForge (1979, 1981)	Finance industry	Positive relationship
Kudla (1980, 1981)	Fortune 500 firms	Positive relationship not supported
Leontiades & Tezel (1980)	Fortune 1000 Industrial Firms	Positive relationship not supported
Van de Ven (1980)	Community Child Care Programs	Positive relationship
Klein (1981)	Banking firms	Negative relationship
Sapp & Seiler (1981)	Finance industry	Positive relationship
Armstrong (1982)	Meta analysis	Positive relationship
Bracker (1982) in Robinson & Pearce (1984)	Service firms	Positive relationship
Kudla & Cesta (1982)	Fortune 500 firms	Positive relationship not supported
Robinson (1982)	Mixed small firms	Positive relationship
Robinson & Pearce	Small banking firms	No significant performance

(1983)		differences
Frederickson & Mitchell (1984)	Forest product firms	Negative relationship
Frederickson (1984)	Manufacturing firms	Positive relationship
Robinson & Pearce (1984)	Mixed small firms	Positive relationship not supported
Robinson et al. (1984)	Small firms	Positive relationship
Welch (1984)	Mixed firms	Positive relationship
Ackelsburg & Arlow (1985)	Small firms	Positive relationship
Orpen (1985)	Small mixed firms	Positive relationship
Sexton & Van Auken (1985)	Small firms	Positive relationship

Whitehead & Gup (1985)	Banking firms	Negative relationship
Bracker & Pearson (1986)	Dry cleaning firms	Positive relationship
Ramanujam et al. (1986)	Top companies	Positive relationship
Ramanujam & Venkatraman (1987a)	Top companies	Positive relationship
Rhyne (1986)	Fortune 1000 & 500	Positive relationship
Robinson, Logan & Salem (1986)	Small retail firms	Positive relationship
Gable & Topol (1987)	Small-scale retailers	Positive relationship not supported
Javidan (1987)	Manufacturing firms	Positive relationship
Pearce, Freeman & Robinson (1987)	Meta analysis	Mixed findings for small firms
Rhyne (1987)	High, medium and low performers	No across-the-board relationship
Rule (1987)	Manufacturing firms	Positive relationship
Bracker et al. (1988)	Small growth firms	Positive relationship
Capon et al. (1988)	Manufacturing firms	Can improve performance, but not a precondition
Odom & Boxx (1988)	Churches	Positive relationship
Robinson & Pearce (1988)	Manufacturing firms	Significant relationship
Schaffer & Spencer (1988)	Lodging firms	Positive relationship
Tse & Olsen (1988)	Restaurants	Inconclusive finding
Verhage & Waarts (1988)	Large companies	Positive relationship
West & Olsen (1988)	Foodservice firms	Positive relationship
Dev (1989)	Lodging firms	Dependent on environmental factors

Dev & Olsen (1989)	Lodging firms	Dependent on environmental factors
Shrader, Mulford & Blackburn (1989)	Small firms	Positive relationship
Van der Walt, Lysonski, Queree, Harper & Hales (1989)	Fortune 500 firms	No effect
Jenster & Overstreet (1990)	Credit unions	Positive relationship
Schaffer & Litschert (1990)	Lodging firms	Marginal relationship
West (1990)	Foodservice firms	Positive relationship
West & Anthony (1990)	Foodservice firms	Only one factor upon performance
Armstrong (1991)	Meta analysis	Positive relationship
Boyd (1991)	Meta analysis	Weak–modest relationship, but positive for formality
Tse (1991)	Restaurants	Structure not strategy has impact
Powell (1992)	Meta analysis	Dependent on contingency factors
Smith, Piland & Funk (1992)	Rural health care organisations	Positive relationship
Baker, Adams & Davis (1993)	Small firms	Significant relationship between strategic planning and profitability
Lyles, Baird, Orris & Kuratko (1993)	Small business	Positive relationship not supported
Schwenk & Shrader (1993)	Meta analysis	Mixed findings for small firms, but positive for formality
Capon, Farley & Hulbert (1994)	Meta analysis	Positive relationship
Kargar & Blumenthal (1994)	Small community banks	Positive relationship not supported
Miller & Cardinal (1994)	Meta analysis	Positive relationship
Lumpkin & Dess (1995)	Mixed firms	Simplistic planning negatively related to performance in dynamic environments
Matthews & Scott (1995)	Small firms	Entrepreneurial firms undertake more sophisticated planning
Kargar (1996)	Small firms	Low explanatory level
Murphy (1996)	Banking firms	Positive relationship
Hopkins & Hopkins (1997)	Banking firms	Significant relationship between strategic planning intensity and financial performance
Siciliano (1997)	YMCAs	Positive relationship
Rue & Ibrahim (1998)	Small firms	Moderately significant relationship
Peel & Bridge (1998)	Small firms	Positive relationship

**TABLE 3**

Aggregate correlations (Spearman) between strategic planning and organisational performance (n=137)