Business Planning by Small Owner Managed Enterprises in the Victorian Forestry Sector

A thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration


Graduate School of Business
RMIT University

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This work marks the end of a long journey that started when I was in year 11 at school in 1973. It was then that I began to understand about qualifications, university, research and scholarship. Soon I realised that I would need to complete a doctorate some time in my life. Under the inspiration and role model of my father, I have finally touched the vision that was kindled and strengthened through many years working alongside and within academic circles. There are many people I must thank. Firstly I wish to thank my long suffering wife, Marcia, and children, Sarah and Ben. They have been understanding and patient as the doctoral journey progressed. The evenings and weekends spent away from home were always accepted and part of the deal. Conversations about the project and thinking out loud have tested their patience. I hope I have passed the pleasure of scholarship and structured discovery on to them.

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Declaration:

I certify that except where due acknowledgement has been made, the work is that of the author alone, the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement of the approved research program; and, any editorial work, paid or unpaid, carried out by a third party is acknowledged.

Peter James Shepherd

Date: 7 July 2006.
Abstract:

Planning by owner-managers of small business has not received the attention from researchers a sector of such importance deserves. Using the forestry sector in Victoria as a sample, an investigation into the background and the planning undertaken by the owner-managers of small businesses was designed and implemented. The people consulted by the owner-manager as part of the planning process were identified as well as the topics discussed. A range of approaches to planning were identified and grouped into non-planners, partial planners and formal planners.

The sample was divided into Consultants and Contractors based on the type of work undertaken and the equipment used. Further sub-sets were identified. Contractors were split into Labour Intensive Contractors and Capital Intensive Contractors and the Consultants were also divided by age into “full time” and “later years” sub-sets. These data splits enabled significant insights into the planning of owner-managers.

Hindrances, hurdles and triggers to planning were identified. Informal planning appears to be the normal behaviour for much of the sample until a strong planning trigger overcomes the hurdles and hindrances and leads the owner-manager to engage more conventional planning activities. The owner-manager usually reverts to informal planning once the planning trigger issue is resolved.

Various relationships linking business characteristics, owner-manager demographic details and planning characteristics are explored to reveal some significant correlations that help explain results and can be used to guide professional development programs designed to increase the level of planning undertaken by owner-managers.

Regression analysis was used to show that relationships exist between the perceived value of planning by the owner-manager, level of computer literacy, level of literacy, the effort put into planning and the amount of planning undertaken. Insights into the business operations and management style of the managers interviewed would suggest the low level of planning undertaken will not be increased by just increasing the level of computer literacy and literacy in isolation.

The research reported here contributes to the understanding of planning approaches taken by owner-managers operating similar businesses to those sampled. The relationships between demographic details, organisation characteristics and planning activity provides an insight into the management philosophy and approach that can be used to assist with the design of management capacity building programs within the industry and as a foundation for further investigation.
Part 1: Introduction, Literature and Methodology

Chapter 1: Introduction

Chapter 2: Review of Literature

Chapter 3: Methodology
Business Planning by Small Owner Managed Enterprises in the Victorian Forestry Sector

By Peter Shepherd

Chapter 1: Introduction

1.1: Background

Planning by large business has been researched and discussed in popular and academic business literature over many years. Theory development peaked in the 1970s and 1980s but there is continuing research interest in planning with grounded theory and case studies more common in the last 10 years. Initially, the theory was developed with the application to big business in mind with the possible assumption that the findings would apply to all businesses irrespective of size. This approach gradually lost favour as managers realised that approaches to planning were more useful if they were refined to reflect the size and context of the business. This study is designed to add to the understanding of planning by small business, by investigating the way owner-managers in a specific sector - the forest sector in Victoria - approach and apply planning.

The country location of forestry activities makes it a significant regional employer.
Recent reductions in areas of state owned forest available for commercial production of native timbers have been more than offset by increases in the plantation estate, with an average annual increase in the area under plantation of 74,000 hectares (ha) per year in the period from 2000 to 2004 (ABARE 2005, p.25). The area of plantation in Australia has grown from 1.1 million ha in 1996 to approximately 1.72 million ha in December 2004 (ABARE 2005, p.26) as a result of tax incentives that were introduced as part of a revised National Forest Plantation Policy.

Changes observed in the forest industry over the last two decades include:

- A trend for plantation forest owner-managership to move from government owner-managership to the private sector,
- The separation of commercial forestry from social and conservation obligations assumed as part of government responsibility,
- Downsizing of the operational workforce retained by the forest owner, and
- Outsourcing of many of the routine operational tasks previously performed by the permanent workforce to contractors and consultants.

The transition of the workplace into a short-term contractor culture has been a common trend in the late 1990’s and has resulted in job insecurity and higher stress levels for contractors (Walker and Brown 2004, pp.587-588). The forest growing, management, and harvesting sectors of the industry now consist of a large number of small, owner managed contractors and consultants providing services to plan, plant, maintain, measure, monitor and eventually harvest the forest under short term contracts to the forest owner. These services were previously delivered directly by employees of the forest owner.
Using firms from this sector as a sample, an investigation into the relevant background of the owner-managers, and the planning undertaken by owner managed small business, will provide an insight into the planning practices of this, and possibly other sectors of small business. Background such as owner-manager education level, experience and firm size will be compared against level of planning undertaken to expose patterns and insights into barriers and catalysts to planning.

1.2: Research Questions

After the down-sizing period of 1990-2000, forest owner-managers now rely heavily on contractors and consultants to provide operational support for managing the resource. During that period, many forest sector employees found themselves redundant, only to establish contracting businesses to provide specialised services to their previous employer.

Preliminary observations suggest that many small business owner-managers appeared more comfortable to work on operational matters than to plan the future of their businesses. Many contracts with forest owner-managers were for only one to three years duration or were offered as a single activity on a specified parcel of land. The short term nature of contracts for service in the industry makes planning difficult and, in the opinion of some, possibly even pointless.

Many businesses in the forestry sector are owned and operated by males with limited
formal education but significant amounts of hands-on experience. Few have received any management training at all. Over 70% of the Victorian forest workforce has not enjoyed any formal post-secondary qualification (OTTE 2004, p.2). A need to develop managers’ skills in occupational health and safety, information technology and business skills was reported (OTTE 2004, pp.3-4).

The focus of this study is to obtain a picture of the background and activities of the owner-managers included in the study and to investigate their ideas and approaches to planning so that these parameters could be analysed and compared with the amount of planning undertaken. Planning is a highly complex and broad topic lacking in precise definitions, so it is necessary to focus on specific questions concerning planning rather than trying to address the complete topic. The study will not address the cognitive aspects of strategy formation process, the outcomes of the strategy formation process, strategic management or evaluating the success or otherwise of strategies adopted by firms. These are separate and complex areas that justify research projects in their own right.

The project investigated the following primary research question:

1: What were the practices of business planning by small, owner-managed enterprises in the Victorian forest growing and harvesting sector?
Secondary research questions investigated included:

2a: What was the education background, business skill level and demographics of owner-managers in the forestry sector in Victoria?

2b: Was there a difference in planning frequency and practice between small capitalisation operations and operations which require costly machinery?

2c: Is there a relationship between the sophistication of the planning approach and the education level of owner-manager?

1.3: Research Design

Contractors and consultants working in the forestry sector in Victoria were invited to participate in the study. To be eligible to participate, firms needed to be owner managed and working in the forestry sector. The target was to sample between 40 and 60 firms. A semi-structured interview containing closed-ended and open-ended questions was used. Details about the business, planning practices, perceived planning needs and perceived values of planning were collected. Relevant personal details and opinions of the business manager towards planning were also recorded. The responses to each interview were recorded on a form (Appendix 1) for coding using Excel. Statistical Package for the Social Sciences (SPSS) was used for more advanced statistical analysis. Data were analysed to develop a picture of the demographics of contracting/consulting businesses and their owner-managers working in the forestry sector in Victoria. An insight into the understanding and values placed on planning, and the amount and sophistication of planning undertaken was developed.
1.4: Organisation of the Thesis

The thesis seeks to develop an insight into planning by owner-managers of small businesses based in the forestry sector. Initially planning by business in general and then by small business is discussed and the literature reviewed. The research methods used in this project are described. A description of the work undertaken by firms sampled is combined with data about the firms and some personal characteristics of the owner-managers interviewed to assist in developing an understanding of the structure and approach to planning. An analysis of the data provided an insight into factors that influence planning. A discussion of the factors associated with firms that plan is followed by an analysis of firms that do not plan. The findings of the study are then reviewed in the light of the accepted theory and concludes with some suggestions for improved practice, recommendations and areas requiring further research.

1.5: Outcomes

The research undertaken will contribute to a greater understanding of the way owner-managers of small firms approach planning. The forestry sector will benefit from a similar understanding as the research will highlight areas that can be addressed to improve and increase the planning taken by owner-managed firms in the sector. In addition, business owner-managers will benefit from the picture developed of contemporary planning practices by small businesses and the identification of skill deficiencies, attitudinal issues and training needs.
While strategy development by small business has been researched to some degree, planning by small business owner-managers has not received much attention in the literature. Planning by owner managed service providers in the forestry sector has not previously been researched in any depth. The demographic characteristics of the owner-managers, their views concerning the value of and problems with planning have never been investigated. Sources of business intelligence and the characteristics of business planning have not been reviewed. The result is an industry sector that is intuitively understood without the basis of any substantive research. This project will contribute a better understanding of a very important service provider to a major industry. The data collected forms a baseline for a longitudinal study of the sample population as well as a benchmark for comparison with other similar industries such as agriculture and building trade contractors.

In addition to a greater understanding of the planning processes used by small businesses, the understanding of business planning practices and needs by small owner operated enterprises developed through this project is of interest to those involved in supporting small business and those involved in developing training for the forestry sector. The findings from this study have potential application to small, owner managed operations in areas such as building contractors, cleaning contractors, agricultural contractors and transport operators. Ultimately, the discipline of business research will benefit from a greater insight into the planning practices of small business.

The next chapter will review literature relevant to the project.
Chapter 2: Review of Literature

2.1: Introduction

As this project investigates planning by owner-managers of small businesses operating in the forestry sector, a number of topics in the literature have relevance. The review of literature will commence with a discussion of small business considering definitions, characteristics and the special case of family business and entrepreneurs. Relevant literature about planning will then be considered, including definitions, discussion of planning models accepted as most useful to describe strategic planning, followed by a review of the literature about planning quality.

2.2: Small Business

Small business is considered to be a major driver in many economies. For example, Hamilton and Dana (2003, p.402) reported that in 1999, 86% of firms in New Zealand had five or fewer employees accounting for 27% of employment in the country. However, there is much confusion as to what exactly can be called a small business. This confusion reflects the lack of a clear and generally accepted definition in the literature. Carland, Hoy, Boulton and Carland (1984, p.354) commented that there was no uniform definition of a small firm, while d'Amboise and Muldowney (1988, p.226) suggested that finding a rigorous definition for a small business has been a difficult and sometimes controversial problem for a long time and is a problem that confronts all workers in the field. Verhees and Meulenberg (2004, p.136) found that there was no widely accepted
“statistical demarcation” of a small firm so they created a definition to suit their study.

Being a small business means more than just being a business that is small in size as small firms possessed special characteristics and behaviours that made them stand out beyond a measure of size (Torres and Julien 2005, p.359). However, as the firm size decreased, it was increasingly likely that its behaviour fitted the small business concept. Torres and Julien (2005) effectively used “small business” to describe business behaviour not business size while other writers continue to used the term as a size only definition.

Further, “big” and “small” are relative terms. For example, Lindsay and Rue (1980) studied “big” and “small” business based on the Fortune 500 index with the big sample taken from the top 50 % and the small sample taken from the bottom 50% of the index. Any firm that even makes the Fortune 500 index would not be small by most measures in Australia. At the other extreme, Reid and Smith (2000) aimed to identify generic strategies which could have been applied to any micro-firm; but failed to define a micro-firm. The definition of a small business needs further consideration and will be the topic of the next section.

2.2.1: Definition of a small business:

The definition of business size is based on the measurement on one or more parameters which will be discussed in this section.
2.2.1.1: Based on lists provided by external sources

Some studies base their research on samples generated from lists of “small businesses” provided by other sources such as local government, state or federal agencies or research facilities. Many had problems since they did not obtain or provide a clear indication of the basis for including firms in the lists. For example, Rue and Ibrahim (1998) randomly selected 1153 firms from two lists. One list was developed by the Small Business Development Centre at Georgia State University and the second was a commercially available mailing list purchased from a marketing company. The basis for inclusion on either list is not discussed. Kuratko, Hornesby and Naffziger (1997) randomly selected their sample of small businesses and entrepreneurs from a list provided by the local Chamber of Commerce but failed to mention the criteria used by the Chamber to compile the list. In another study, Frese, vanGelder and Ombach (2000, p.7) selected a sample based on a list of the names of new firm start-ups provided by the Amsterdam Chamber of Commerce without reporting any investigation into the process used to compile the list. Johnsen and McMahon (2005, pp.115-117) used data generated by the Australian Government’s Business Longitudinal Survey into small and medium enterprises (SMEs) but did not provide any information about the size or type of businesses included in the study. Watson (2002, p.93) used the same data but included information on the parameters in the paper. The study included businesses employing less than 200 people.
2.2.1.2: Based on employee numbers and financial performance.

The most open definition of small business identified was that used by Perry (2001, p.205) who defined three levels of small business: firms employing less than 500 people, firms employing less than 20 people and firms employing less than 5 people. Since firms employing less than 500 people included 99% of all firms in the USA, Perry chose to work with firms employing 20 people or less. Perry did not mention subcontractors or how part-time or casual employees were handled in the study. Frese et al. (2000, p.6) excluded all businesses with more than 50 employees from their analysis of planning and action strategies used by small business. Fiegener (2005, p.634) selected their sample from members of an association of small U.S. firms partitioned into three size categories: 19 or less employees, 20 to 49 employees and 50 or more employees.

The most accepted size of small and micro-business seems to be less than 20 and less than 5 employees respectively. Hamilton and Dana (2003, p.402) chose to define businesses in New Zealand that employ 5 or fewer people as “micro-businesses”. The “big business” category reported by Hamilton and Dana employed more than 100 people; a cut-off well below that used by Lindsay and Rue (1980).

Walker and Brown 2004, p.579) noted that not all small business owner-managers wanted to grow their businesses. Some deliberately refrained from taking on employees and they concluded that employee numbers as an indicator of business growth or success was not applicable to all businesses.
The Australian Bureau of Statistics (ABS) adopted two ways of defining small business. The first was based solely on employee numbers and the second added some financial measures. A small business was defined as a “business employing less than 20 people” (ABS 2002, p.1). The definition was refined by adding the following firm types that should also be considered as small businesses:

- Non-employing businesses – sole proprietorships and partnerships without employees;
- Micro-businesses – employing less than 5 people, and
- Other small businesses – employing between 5 and 20 people.

It was noted that the number of employees in a firm may not be a good indicator of business size for many organisations including:

- volunteer based organisations that do not employ many people,
- firms that expect large amounts of overtime from staff,
- firms that outsource a big proportion of work,
- firms that engage in capital intensive activities that require few staff,
- firms that employ a lot of part-time, seasonal or casual staff,
- family based businesses with contributions from non-paid family members, and
- family based businesses with paid family members that do not work.

When considering agricultural statistics, the ABS (2002, p.3), used a definition based on other parameters in addition to employee numbers because “agricultural businesses can
have large scale operations with relatively few or no permanent employees”. To provide a size classification for agriculture business for statistical purposes, the ABS developed a measure based on the Estimated Value of Agricultural Operations (EVAO) which included the:

- area sown to crops,
- number of livestock, and
- value of crops and/or livestock produced during the year.

The ABS (2002, p.3) discussed the problems associated with placing non-employing business and “own account workers” (people who are working in their own business without employees) in a classification based on employee numbers.

The ABS (2002) approach presents a number of problems. A “small” agricultural business was defined as having an EVAO of between $AUS22,500 and $AUS400,000 (ABS 2002, p.2). The ABS chose to exclude businesses with an EVAO of less than $AUS22,500 because:

“They are not operated as a business venture and their contribution to commodity aggregates are generally insignificant (ABS 2002, p.2).”

EVAO is not a very robust parameter. For example, many farms would not be considered as businesses in some years due to very low production caused by the drought even though they continue to use the same amount of labour. The business remained the same size in many senses but production was low for external reasons. Further, the threshold
figure was quoted in dollars without any mention of an indexation process to ensure its real value is protected from changes of the dollar value over time.

A different approach to measuring firm size was taken by Reid and Smith (2000, p.166-169) in a study designed to identify management strategies applicable for young microfirms. A large number of variables to measure and rank small businesses were included in their index such as:

- net fixed assets in year 1,
- net profit,
- owner’s personal cash injection at start-up,
- gross annual sales,
- average sales in year 1, and
- number of employees.

Studies that indexed financial data used to measure the size of a business were not found. It is clearly wrong to imply that currency holds the same value for all countries (i.e. $US = $AUS) or that there is no need to account for changes in currency value over time. The lack of an accepted international benchmark for financial data and financial based classifications of business size makes comparison of data difficult if not impossible.

Another measure of firm performance that could also be used as a size indicator would be a firm’s return on equity (ROE). Return on assets (ROA) is an important factor in ROE because it indicates the profit generated per dollar invested. ROE and ROA were commonly used to assess performance of large companies (Watson 2002, p.92).
Measuring performance purely in terms of sales or profit levels or growth does not relate output measures to input measures. ROE requires an accurate figure on profit and equity that may not be feasible for owner-managed small businesses that closely integrate business, family and personal aspects of the owner’s life.

2.2.1.3: Based on non-financial criteria

Johnsen and McMahon (2005, p.116) noted that use of financial performance measures such as sales or profit was inappropriate for business that do not have financial gain as its primary goal. There were, however, many difficulties in choosing other variables appropriate for measuring small business performance and organisation size (Rosa, Carter and Hamilton 1996, p.463).

Non-financial parameters can potentially be used to measure business size and growth. Vyakarnam, Bailey, Myers and Burnett (1997, p.1628) used the definition of small business from Baumback (1988) as follows:

A business that is actively managed by the owner(s); highly personalised; largely local in its area of operation; and is largely dependent on internal sources of capital to finance growth.

While the specification for “largely local in area of operation” may no longer apply due to the impact of globalisation and the internet, this definition encapsulated the need to include micro-businesses that are family owned and run that have objectives beyond wealth creation. Tosi and Gomez-Mejia (1994 in Rue and Ibrahim 1998, p.25)
recommend that performance should be measured with both financial and non-financial
criteria employing objective and subjective data because multiple measures allow
comparisons across criteria. They suggested that the question of which non-financial and
subjective parameters to include was difficult to answer accurately measuring many of
them was even harder.

An alternative approach was to define a management structure or approach that was
specific to small business. Numerous writers described the importance of the owner-
manager to a small business (Deeks 1973; Carland, Hoy, Boulton and Carland 1984;
d'Amboise and Muldowney 1988; Watson 2002, Johnsen and McMahon 2005). The
communication and command links in small business were often fuzzy and partial with
the owner willing and able to discuss technical and operational details with coal-face
workers. Often the owner was directly involved in production as well as management
either by supporting production workers, undertaking background activities such as
repairs and maintenance or by relieving in production jobs when workers were absent. In
a similar approach, Verhees and Meulenberg (2004, p.135) defined small business as a
business that was run and controlled by the owner.

2.2.2: Planning characteristics of small business

Differences in management processes between small and large businesses appear
obvious, yet research investigating only large capitalisation business is often extrapolated
to small business. Some small business activities may operate to a different theory than for big business. Theory specific to small businesses has not seen much development (d'Amboise and Muldowney 1988, p.228). Robinson and Pearce (1984 p.128) observed that the state of knowledge pertinent to the strategic management of small and growing firms was “woefully inadequate” and commented that research had focused on “the big end of town” and only in the last decade had the importance of the contribution to the economy by small business been recognised. Brouthers, Andriessen and Nicolaes (1998, p.130) commented that little research existed that has examined strategic decision making in small firms. d'Amboise and Muldowney (1988, p.227) proposed that small business was different to big business in three ways that gave small business its unique character:

- **Task Environment:** generally small business was more exposed to changes in the business environment and spent more time adjusting to contextual turbulence than predicting or changing it.
- **Organisational Configuration:** small business has a contracted hierarchy and centralised decision making that leads to a more informal organisational structure and more personalised communication and management channels.
- **Managerial Characteristics:** the strong dependence on the owner-manager who was driving considerations for production, quality and reputation and who often had a high level detailed technical and managerial understanding of all aspects of the business.

The greater vulnerability of small business to external risk means that a different approach to environmental scanning and risk management (compared to big business) is needed (d'Amboise and Muldowney 1988, p.228). According to Reid and Smith (2000,
p.170) small firms were distinct from other organisations because a diverse group of people beyond employees, often including family members, were usually involved and there was a close link between the owner(s) and the operation of the business. The owner-manager is personally involved in the day-to-day operation and often has put personal investment into the firm (Reid and Smith 2000, p.170). This link was seen as the key feature of small business that contributed to its unique character. For example, the link between personal and business ethics was probably closer in situations where the owner was also the manager of the business and so it was reasonable to expect different ethics formation and outcome processes from those in large companies (Vyakarnam et al 1997, p.1626).

Another approach was taken by Rhyne (1986, p.423) who looked at the planning practices of small and large firms and commented that the papers reviewed were focused more on critical comments about the manner that planning was carried out by small business rather than on the intrinsic value of the planning itself. A general consensus was that large public companies devoted considerable resources to planning at all levels with the processes and outcomes considered necessary for communication with directors, staff, shareholders and the market. On the other hand, research into planning by small firms reports that planning was “conspicuously absent”. The planning that was reported was described as unstructured, irregular and uncomprehensive (Robinson and Pearce 1984, p.129). Ansoff (1980, p.134) proposed that conventional strategic planning cycles were not appropriate for smaller enterprises that lack the necessary management capacity and resources necessary to be able to cope with environmental turbulence in addition to the
firm being able to react quickly to “fast issues”.

It needs to be recognised that the owner-manager has a significant influence on the operation and strategic direction of their firm. It has been assumed that owner-managers always act in the best interests of their firms, use rigorous processes to gather all the information they need to make informed decisions and look at a large number of alternative solutions that are evaluated on a rational basis. This may not be the case. According to Brouthers et al (1998, pp.131-132) this assumption of rationality should be questioned in large firms who identified three sets of influencing factors:

- Power and politics,
- External control and
- Managerial Characteristics.

Internal power and politics was described as managers undertaking political manoeuvring. In small owner managed firms the politics may arise just as much from the family as from the managers. External control refers to stakeholders that influence strategic decisions. Brouthers et al (1998, p.131-132) made particular reference to firms that were dependent on one or a few suppliers or customers that could exert “power” over the firm. Managerial characteristics referred to the personal characteristics of the decision makers and reported that age, social background, education and work experience influenced the decisions of managers. These parameters, with the exception of social background, will be included in this survey. Further, Brouthers et al (1998, p.132) reported that founders of the firm tended to hold on to their original vision, making them sometime less rational in their decision making processes.
2.2.3: Owner-managers’ measures of small business success

Effective business planning requires the definition of goals and objectives by the business. The literature is dominated by financially based criteria for success (Walker and Brown 2004, p.577). Big business uses parameters such as increase in shareholder wealth as a key performance indicator. Small business owner-managers may not be motivated by purely financial goals. While financial growth may not be a goal of a small business, there is a need for all businesses to be financially viable, so neglecting financial measures completely is wrong (Walker and Brown 2004, p.578). Fielden, Davidson and Makin (2000, p.300) reported that 88% of small business owners in their sample listed money making as a motivator but 71% also listed job satisfaction, greater independence, creating opportunities, encountering new challenges and pursuing one’s own interests as criteria of real importance.

Little has been written about businesses that do not actively pursue growth or about the potentially conflicting measures of success that arise between the personal and financial desires of an owner-manager (Walker and Brown 2004, p.577). Businesses with these types of goals have been referred to as “life-style” businesses. Non-financial measures of success used by small business owner-managers include autonomy, job satisfaction, and the ability to balance work and family responsibilities.

Walker and Brown (2004, p.579) reported that Baines (1997) and Grey (1998) both observed that some small businesses deliberately refrained from taking on employees
even if the decision was detrimental to the business. They reported that some owners were not interested in creating jobs for other people as that was not the motivation or the goal for starting their businesses. Often their prime motivation was to create jobs for themselves and possibly immediate family members.

Kuratko et al (1997, pp.24-25) reviewed the goals of entrepreneurs to identify important aspects for motivation. They developed the concept of the “entrepreneurial experience” which included the psychological and non-psychological outcomes relevant to firm owner-managership. People found financial and personal rewards from being a business owner. Some of the reasons recorded included the freedom of being one’s own boss, controlling one’s own future, and satisfying the need for achievement. Bird (1989 in Kuratko et al 1997, p.26) discussed the “entrepreneurial lifestyle” which had intrinsic and extrinsic goals of which only one was financial reward for effort. Kuratko et al (1997, pp.26-28) identified 16 factors that motivated small business owner-managers which they grouped into four categories:

- extrinsic rewards: mostly wealth and income,
- independence/autonomy: personal freedom, control and security,
- intrinsic rewards: public recognition, challenge, excitement, personal growth and achieving goals, and
- family security: secure future for family members, build business to pass on.

The analysis showed that all factors were significant and concluded that business owner-managers were motivated by financial benefit, security, autonomy and family succession opportunities.

Walker and Brown (2004, p.579) noted that criteria linked to intrinsic lifestyle issues
were outside the conventional economic paradigm. To enable a form of economic analysis to be completed, Owen, Carsky and Dolan (1992, pp.121-122) called the non-economic factors “psychic rewards”. Some small business owners would trade-off financial success for psychic rewards. Jennings and Beaver (1997, p.63) considered that the desire for personal involvement, responsibility, independence and quality of life are prime considerations for many small business owners.

Little empirical research into “home-based” businesses has been undertaken (Walker and Brown 2004, p.581) despite being a significant business type in the economy. It is common for enterprises to start off being home-based. In the forestry sector, much of the work is undertaken in the forest so it is possible for a business to grow to a considerable size and still be home based. Walker and Brown (2004, pp.581-582) suggested that many owner-managers were likely to forgo some economic benefits by establishing a depot for the convenience and lifestyle factors associated with a home-based business.

2.3: Planning

Business planning has been a topic for publication for more than four decades. A very large amount of literature has been written, ranging from refereed academic papers to widely available self-help books. The motto “fail to plan; plan to fail” has often been quoted to the effect that many now feel it is an established fact.
However, a widely accepted definition that clearly defines terms such as strategy, planning, tactics and goals has not emerged. Due to inconsistency of definitions, Pearce, Robbins and Robinson (1987, p.659) reported problems with their analysis into the formality of strategic planning. Rhyne (1986, p.426) also noted problems with the definition of planning, suggesting it is important not to confuse the concepts and processes of strategy and planning.

Mintzberg (2000, p.333) was clear that planning was not strategy creation but the process of programming, elaborating and operationalising strategies that have already been conceived. For Mintzberg (2000), strategy cannot be formulated by planning. Planning as a process and the plans produced could only be outcomes of developing an already established mental picture of strategy:

Planning helps to translate intended strategies into realised ones, by taking the first step that can lead to effective implementation (p.333).

Mintzberg, Ahlstrand and Lampel (1998, pp.9-10) suggested that strategy was a word that was defined in one way yet used in another. They argued that strategy is a pattern; a consistency of behaviour that can only be defined by looking at past behaviour. However, they also argued that most people defined strategy as a plan; a guide or course of action into the future (as suggested by Quinn 1980, p.7). They concluded that both definitions appeared valid and should be referred to as “realised strategy” and “intended strategy” respectively. The broad basis of thinking on strategy was reflected in the spectrum of Mintzberg et al (1998)’s “strategy schools” with the “Design School” at one end and the “Emergent School” at the other.
For Mintzberg et al (1998, pp.10-12) it was possible to use a time-based perspective for planning definitions. Intended strategies (plans) that are implemented become deliberate strategies. Intended strategies needed to be formally expressed prior to implementation. However, not all plans need to be written. Mintzberg et al (1998, p.11) called the “emergent strategy” the pattern of behaviour that was not expressly intended but actions taken one-by-one over time that build to a consistency or pattern. Emergent strategy is not, by definition, written down or formalised but must exist in the minds of decision makers either in a fragmented series of conscious decisions made as required or as an unwritten mental plans. Hence emergent strategy can be either ad hoc or the expression of partial (unwritten) plans by a decision maker. Emergent strategy is essential for the flexibility, adaptability and dynamism needed by many small businesses for survival (Quinn 1980, p.15). The relationship between strategy types which shows that Intended and Emergent Strategies both contribute to the Realised Strategy can be seen in Figure 2.1.

However, as it is not necessary for both types of strategy to exist for a realised strategy to develop. Figure 2.1 only reflects a snapshot in time and over a period the balance between the types of strategy is shifting according to the internal and external environment of the firm. Mintzberg et al (1998, p.189) argued that emergent strategy seeks to adapt explicit intentions (intended strategy) to provide new understanding in a dynamic environment.
2.3.1: Quality of planning

A system for evaluating the amount and quality of planning undertaken by a firm would be useful. One approach developed for strategy research evaluated the “formality” of planning based on planning processes used and examination of formal written documents. Organisations were classified into two or more categories using a “formality of planning continuum” ranging from non-planners to formal planners (Pearce, Freeman and
Robinson 1987, p.659). The assumption that formal planning was more likely to be effective than no or partial planning was not tested.

An alternative, though less successful, approach also investigated by Pearce et al (1987) was to measure the level of importance top managers placed on planning. Eighteen studies linking the formality of strategic planning and economic performance were reviewed to conclude that conflicting results emerged. A significant reason for this appears to be methodological problems in the studies; mostly due to a lack of attention to contextual influences. The possibility that the strategy was not written down was not given much consideration.

Some characteristics for evaluating the quality and effectiveness of planning were suggested by Quinn (1980, pp.160-164):

1. Effective plans contained three essential elements:
   - goals (or objectives) to be achieved,
   - policies guiding or limiting actions, and
   - major action sequences (or programs) that are to accomplish the defined goals within the limits set.

2. Effective plans were developed around a few key concepts and strategic directions providing cohesion, balance and focus. Resources were allocated in patterns to ensure that each thrust could succeed while organisation units were controlled and coordinated to support the intended thrust.

3. The plan provided mechanisms to accommodate unpredicted developments.
Few rigorous texts have considered the criteria for effective planning or suggested approaches for evaluating strategy quality. Quinn (1980, pp.165-168) proposed a useful framework for evaluating the quality of a strategy based on eight criteria:

1. **Clear, decisive objectives**: the overriding goals of the strategy for all units are clear enough to provide direction and cohesion for subordinate units in the time horizon. Subordinate units’ objectives may change but must remain consistent with the overall strategic direction of the organisation. While not necessarily written down or numerically precise, they must be understood and decisive. Objectives should be made up of a clear understanding of core business and goals to develop core business objectives.

2. **Maintain staff initiative**: good strategy preserves the freedom of action and enhanced commitment from staff by offering a proactive climate in the organisation.

3. **Concentrating power and resources**: resources and management support must be available when and where required to allow for decisive action resulting in a superior position to competitors. Since a superior position makes higher gains (or profits) than competitors, it is also important that a “superior position” be defined so staff can work to obtain it.

4. **Flexibility**: limited resources are used to maximum advantage by ensuring the strategy has built-in resource buffers and flexibility.

5. **Defined and committed leadership**: Each major goal has a clearly defined, committed leader who is motivated. This is a much higher level than acceptance of an objective. Leaders will be motivated if their values and interests match the needs of their role.
6. **Timing**: Correct timing can result in success well beyond the resources needed to achieve it. This type of success can result in a change in strategic position.

7. **Logistics, intelligence and reporting**: The strategy needs to consider the logistical needs and ensure reporting systems are in place to monitor progress towards the goals. Reporting needs to be inward and outward focused. Inward reporting includes budget reviews and audits, quality assurance audits and performance indicators. Outward focused reporting is more difficult to define but market and competitor intelligence is vital.

8. **Communications**: Clear and un-complicated plans are effectively communicated to staff.

The framework required each component to be evaluated. It was designed to consider strategy developed by large companies. Application to small business was not considered.

For Gluck, Kaufman and Walleck (1980, p.158), the process of planning was not important but the thoroughness of the resulting links of the plan with operational decision making was crucial for success. Three linking mechanisms were considered:

- a planning framework that helped decision making focused on customer needs and resources,
- a planning process that stimulated entrepreneurial thinking, and
- a set of corporate values that supported managers’ commitments to the plan.
Further, Gluck et al (1980) suggested good planning needed to consider 5 aspects:

1: product planning,
2: business unit planning,
3: shared resources planning,
4: shared concern planning, and
5: corporate level planning.

Much of the work on evaluating planning quality is clearly based on big corporation planning models. The difficulty in obtaining resource decisions and communicating vision to staff, and of linking various units within an organisation, decreases significantly when applied to an owner managed small business.

2.3.2: The benefits of planning

Writing a business plan has been extensively endorsed by government support agencies and the literature. Variyam and Krayhill (1994, p.574) referred to the importance of planning for small rural business growth, yet for Honig and Karlsson (2004, p.29) a serious gap existed between explaining why new organisations should write a business plan and quantify the results. The value and positive effects of business planning have been taken for granted rather than objectively studied. While planning is claimed to have a positive outcome, empirical research into the benefits of planning has been inconclusive. A review by Honig and Karlsson (2004, p.30) reported that many studies found a benefit in planning but just as many failed to find any association with growth or success.
There are other reasons to plan beyond financial benefit. Symbolic and legitimating benefits have been reported by Suchman (1995, p.590) and Honig and Karlsson (2004, pp.32-34). Sometimes planning was important to legitimate the business in the eyes of stakeholders (Honig and Karlsson 2004, p.30).

Studies that showed that planning was worth the effort to a firm appear to be as numerous as studies that showed an opposite finding. While it was a commonly held belief that strategic planning was necessary for business growth, Robinson and Pearce (1983) investigated the relationship between formal planning procedures and financial performance and found that the results showed there was no benefit from formalised planning processes, extensive written documentation or the use of mission and goal identification to start the strategic planning process. Rhyne (1986) reported eight studies that found a positive effect from planning, five studies reporting no relationship and one that found a negative relationship. These studies were on big business and often had limited empirical evidence to support conclusions. Robinson and Pearce (1983) looked at the relationship between formalised planning as indicated by a written plan and financial performance for a sample of small U.S. banks to conclude that there was no additional benefit in formalising the planning that took place.

An opposing result was found by Pearce, Robbins and Robinson (1987) who studied the correlation between the degree of planning formality and firm performance for a sample of manufacturing firms with average sales of $US 20 million. A strong positive correlation between planning formality and firm performance was obtained. They
concluded that formalised strategic planning was a consistent positive factor associated with high levels of organisational performance. The extension of these results to small business without further research being undertaken should be questioned.

O’Gorman and Doran (1999) studied the relationship between organisational mission statements and performance of 225 Irish small and medium sized firms. The study showed that firms with high growth did not have comprehensive mission statements. However, following a recent study into planning and control of small and medium sized enterprises in Sri Lanka by Wijewardena, DeZoysa, Fonseka and Perea (2004), they concluded that increased sophistication in both planning and control resulted in higher sales growth.

Reports that examined the roles of mental or non-formal plans or the occurrence of mental plans with small business owner-managers could not be found. It seems to be assumed that a big corporation formal planning model was a universal planning paradigm.

**2.4: Family business and planning**

This project is concerned with the planning undertaken by owner managed firms providing services to the forest management sector in Victoria. Anecdotal information suggested that many of the firms operating in the forestry sector are family based and operated. Since they are included in this study, an insight into the dynamics of family
operated businesses would be an advantage to this study.

Many authors note that there is not an agreed definition for a “family business” (for example: Upton, Teal and Felan 2001, p.61; Klein, Astrachan and Smyrnios 2005, pp.321-322). Birley (2002, p.6) concluded that the question of what exactly constitutes a family business has been the subject of much debate. Many writers suggested a multiple condition definition that included family owner-managership and control, family influence on decisions and intent to transfer owner-managership of the firm to the next generation in due course as being necessary requirements for a firm to be considered a family business (Lewis 1997; Upton et al 2001, p.61). Most family businesses include some combination of family equity holding and family management involvement and control (Birley 2002, p.6).

Business management paradigms in family firms were different to non-family firms due to the family psychodynamics present (Kellermanns 2005, p.318). According to Lewis (1997, p.28) individuals within the family were frequently interwoven into the business structure and even when a business was described by a formal legal structure, the principals of the firm were often family members. A complex social and financial structure for family farms that integrated the family home, contribution by family members to the business and the farm being the centre of family life was described. Family members were frequently direct participants in the business decision making process, performing support roles such as book keeping, office work and running errands and/or were actively working in the field. Birley (2002, pp.17-18) concluded that the
relationships, roles and intentions of families that own and run a business were highly complex and varied. While not the main focus of their study, the work showed that planning by family owned and operated companies had additional complexities and dimensions not encountered in more conventional corporate planning scenarios. It is likely that many owner managed businesses in the forestry sector will show similar levels of family integration since the businesses often operate from the back yard or a depot close to home with family members making significant contributions.

Family members often contributed to the business through direct employment or in-kind support (Lewis 1997, p.27). Hence, small family business frequently includes many relationships more complex than the simple employer/employee relationship that dominates large business. The businesses investigated recorded multiple and varied business goals beside the aim of maximising profit. Adding a person to staff due to family ties rather than for legitimate business reasons added complexity to the business by contributing competing financial and non-financial objectives to the firm (Vyakarnam et al 1997, p.1626). Family needs such as children’s education, financial support for family members not working in the business and provision of jobs for family members who may or may not expect to inherit equity are all issues influencing the business (Birley 2002, pp.6-7). Klein et al (2005, pp.323-326) developed a 3 dimensional, empirical scale to define the level of family influence in a family business taking into consideration power, experience and culture.

Upton et al (2001, p.60) listed numerous works that concluded that business and strategic
planning were critical for the success of family firms while also commenting on the sparse amount of research into planning practices of family firms.

The family basis of firms places considerable pressure on the succession of owner-managership and the management processes. The succession process represented a period of danger to the survival of the family business since poorly managed succession could cause failure (Shepherd and Zacharakis 2000, p.25). Succession planning was often neglected by the incumbent owner since it was an acknowledgement of ageing and mortality. The process required difficult decisions including selecting the appropriate successor from relatives. It also represented the beginning of handing over the reigns of the business to someone else who could possibly take it in a different direction. Birley (2002, pp.5-6) reported on some of the issues involved in managing succession in family businesses and further explored the management model for family businesses developed by Birley, Ng and Godfrey (1999, pp.598-605) which suggested three types of relationship between the family and the business:

- **Family In**: strong family involvement (i.e. view the family as part of the business),
- **Family Out**: no involvement in the business whatsoever (i.e. exclude the family from any involvement in the business whatsoever), and
- **Family Business Jugglers**: attempted to balance the often conflicting needs of the family with the demands of the business (i.e. attempting to balance the two competing pressures).
A business that has been built up over the years by hard work and dedication from the owner-manager will most likely be highly valued by those who contributed to it. Shepherd and Zacharakis (2000, p.29) proposed that the degree of investment in finances (called “sunk costs”), time and effort (called “behavioural sunk costs”) and the method of obtaining the ownership affected the existing and future leaders’ perception of the business. Work by Zeelenburg and van Dijk (1997 in Shepherd and Zacharakis 2000, p.34) suggested that owner-managers who did not have a strong relationship to the sunk costs had a higher willingness to gamble or take risks with the business.

2.5: Entrepreneurs, small business and planning

Small business management can be incorrectly linked with entrepreneurship. A review by Carland et al. (1984, p.357) concluded that there was considerable overlap but the concepts of small business management and entrepreneurship were not the same. Cartland et al. (1984, p.357) was critical of studies that did not distinguish between them. Clear definitions of small business and entrepreneurs were offered as a guide to further studies. Morgan (1998, p.17) deliberately used the term “owner-manager” in preference to “entrepreneur” because of the difficulty of defining the latter with any precision due to a lack of any agreement by researchers on the definition of “entrepreneur”. “Owner-manager” was seen as a reasonably clear functional definition of someone who owns and runs an independent (and therefore usually small) business enterprise and was used in Morgan’s (1998) study since it included those managers classically called “entrepreneurs” as well as those who were not.
This was supported by D'Amboise and Muldowney (1988, pp.229-230) who listed the differences between small business managers and entrepreneurs. They concluded that an entrepreneur managed a business for profit and growth by innovation and strategic management practices. The owner of a small business established and managed the business to further personal goals which were intertwined with his/her personal life to the extent of the business being an extension of their personality and it was probably their primary source of income. While Forbes (2005, pp.623-624) made a point to separate entrepreneurs from managers who were not entrepreneurs, some authors saw no difference between small business owner-managers and entrepreneurs and interchanged the terms.

Barry (1978 in D'Amboise and Muldowney 1988, p.228) suggested that there were two types of small family business. The traditional family business that was controlled by descendents of the founder and had two social systems at work: the family and the business, whereas the entrepreneurial firm was still controlled by the entrepreneur-founder only. Barry’s classification is useful in its recognition of two types of family business but problems arise when an entrepreneurial approach is applied to first generation firms. Not all new ventures are entrepreneurial, with the level of innovation seen as the key identifier of entrepreneurship. Some businesses may have moved quickly into a mature phase with the support of the owner who seeks security and lifestyle rather than business growth. The well recognised, very strong influence of the owner-manager on the business means that the personal characteristics of the owner affected the philosophy of the business, the internal and external relationships and the boundaries so as to have
shaped the business and performance (d'Amboise and Muldowney 1988, p.228).

The characteristics of entrepreneurs were suggested to include need for achievement, need for responsibility, need for power and, most significantly for this study, the need for independence and an internal locus of control (d'Amboise and Muldowney 1988, pp.228-229). These are often cited as the reasons for a person wishing to manage an owner-managed small business.

Messeghem (2003, pp.197-198) supported this definition by suggesting an entrepreneur pursued opportunities without regard to the current level of resources. Entrepreneurial firms had structures that allowed the owner-manager to express their leadership and vision. Under this definition, a cumbersome strategic planning process was a hindrance to entrepreneurship. Messeghem (2003, p.198) noted that Mintzberg argued that management systems such as quality assurance may well jeopardise true entrepreneurship and that an entrepreneurial orientation required a simple structure. Messeghem (2003, pp.197-198) took an alternative viewpoint after finding that entrepreneurial firms could have a highly bureaucratic structure to conclude that entrepreneurial orientation was independent of organisational context.

The concept of the “lead entrepreneur” was investigated by Ensley, Carland and Carland (2000). They noted that a lead entrepreneur needs to have strong skills in entrepreneurial vision, entrepreneurial drive, and strategic thinking. Their comprehensive review of the literature reported many findings that showed that some people were naturally strong
entrepreneurs while others were not. For example, Gin and Sexton (1990 in Ensley et al 2000, p.62) identified major differences in the results of the Myers-Briggs Type Indicator when applied to founders/CEOs of fast growing firms compared to the results of the tests when applied to the founders/CEOs of slower growing firms. Though the results were not absolutely conclusive, they concluded that lead entrepreneurs do exist.

Kickul and Gundry (2002, p.87) discussed the concept of the “proactive entrepreneur” - a distinctive personality type that scanned for opportunities, showed initiative and took action with the degree of perseverance necessary to achieve closure. This type of person was relatively unconstrained by situational forces in the daily environment. The analysis demonstrated that a small business owner’s proactive personality was linked to a strategic orientation for the firm that permitted flexibility and change in response to surrounding business conditions. The study indicated that successful entrepreneurs had a combination of personality traits that facilitated responsive, expansionist and innovative organisations. This conclusion was reached despite Gartner (1988, p.12) commenting that trait-oriented research was inadequate to explain the phenomenon of entrepreneurship.

Later work by Stewart, Carland and Carland (1996) focused on behaviours, rather than traits, to identify an entrepreneur. Behaviours such as the following were nominated as being entrepreneurial:

- founding a new business,
- leadership,
- organisation creation,
- opportunity recognition,
- innovation,
• risk assumption,
• marshalling of resources,
• creation of value, and
• strategic planning.


Douglas and Shepherd (2002, pp.82-84) followed an economic perspective and developed a utility maximisation model based on parameters such as effort required, risk exposure, and decision-making autonomy to explain why some people are happier to start their own business while others find it an unsatisfactory option. This work contributed to the understanding of some of the reasons why a person would elect to leave a secure job to start an owner-managed small business and, as a consequence, to go into debt, to work longer and harder (called work effort) and to be exposed to much higher degrees of risk. The application to the forestry sector is clear with many owner-managers having to invest in expensive heavy machinery and having to work in a highly competitive market place.

2.6: Gender Issues

Anecdotal data and observation suggest that the sector under investigation in this study is male dominated. Forestry field work is most often undertaken by men. Little work on the reasons behind this was located. Johnsen and McMahon (2005, p.137) suggested that women had more difficulties raising capital for business development than men and, as a
consequence, had smaller and less capital intensive businesses. Further, the attractiveness to women of the type of work undertaken and the supervision of male field workers may be a disincentive to women to commence a business in this sector.

Walker and Brown (2004, p.580) suggested that gender may be an important factor that affects the owner-manager’s perception of success and noted that main motivation for women to start businesses in the first place was to balance domestic responsibilities. However, Walker and Brown (2004, pp.580-581) also report a trend towards males wanting to be more involved with family and their children in preference to working longer hours.

Johnsen and McMahon (2005, pp.115-116) discussed the influence of gender on the performance of small to medium-sized enterprises suggesting that a male approach dominated the analysis of SMEs growth and performance. The theories usually used were created by men for men to use to study male run businesses. Judging a female’s management achievements against a male created benchmark was not appropriate.

The low level of female involvement in this study will probably not cause any major methodological issues as much of the business theory utilised for this research is based on a male approach to management. It does, however, raise the question about the ethics of male domination in business research, particularly in establishing and evaluating goals and acceptable modes of personal and business performance and behaviour.
2.7: Implications for this project

The implications from the literature explored in this chapter to this research project will now be considered.

2.7.1: Small business

A precise definition of a small business that has reasonably uniform acceptance is not available. Definitions based on employee numbers or annual turnover have little relevance since a range of business sizes was included in the pilot study. It would be incorrect to suggest that small business is a homogenous population. A study of “small business” which does not stratify the population by some means will need to restrict its findings to general statements. This study examined aspects of planning by owner-operated small business working as contractors and consultants in the forestry sector which restricts the study to small businesses that exported their activity to on-site locations. Unlike small business based on a static infrastructure such as a shop, farm, or factory, contractors in the forestry sector move around the forest and from forest to forest as they perform their tasks. There was a wide range of capitalisation levels from a person working alone undertaking surveys in the forest requiring only a vehicle and some field equipment, to firms operating specialised and expensive pieces of heavy equipment.

Hence the definition suggested by Verhees and Meulenberg (2004) has the most value in this context. Verhees and Meulenberg (2004, p.135) defined small business for their study as one that is run and is controlled under direct supervision of the owner. This
2.7.2: Planning

“Planning” was a word used quite liberally in the literature and covered many aspects including strategic planning, operational planning, business planning, succession planning and financial planning. The key planning concepts such as goals, objectives, plans, strategy and tactics are closely linked and often confused. It should be noted that planning time frames are relative to the industry being considered. In forestry, long term planning could be rotations of 60 years while in telecommunications eight months is a long time.

Planning considered by this project included long term plans (strategic plans) and shorter term plans (including operational plans and budgets). Further, non-written and partial plans were investigated since these were possibly more common and more important to this type of small business than formal written plans. Adopting an overly rigorous definition of planning would have inadvertently excluded some unforseen and unexpected aspects of planning that emerged during fieldwork. Small business has an anecdotal reputation for a lack of formal planning. This study was designed to be as inclusive as possible so non-formal, partial and written planning were included to ensure that all possible variations were considered.

Tactics and strategy were also often confused in the literature. Large and complex
organisations had a number of hierarchically related and mutually supporting strategies. Each strategy was almost complete, yet was shaped to be a tactic of higher-levels strategies. Further, the confusion between strategy and tactics is not a matter of great importance as, at one level an action can be viewed as a tactic while at a lower level, it may be seen as a strategy.

### 2.7.3: Understanding owner-managers

Morgan (1998, p.31) recognised the owner-manager as the key influencing factor on the success or otherwise of a small business. Feltham, Feltham and Barnett (2005, p.13) reported that their research confirmed anecdotal evidence that family businesses were highly dependent on a single decision maker, usually the owner. Research designed to develop a greater understanding of the background and approach to management by owner-managers will contribute to a deeper understanding of the way this important sector operates. The background of the owner has been shown to influence firm growth as it was related to managerial efficiency (Variyam and Krayhill 1994, p.574). Positive correlations between small rural firm growth and owner education level, experience as a manager and uptake of new technology were possible, so the inclusion of some owner personal characteristics such as age, technical experience, management experience and education level in the study was justified.

The research into entrepreneurship assists in understanding the approach and mind-set of the owner-managers interviewed in the project, as well as providing an insight into
parameters and values that may be worth measuring. The male bias of business research need not be considered since the sector’s businesses are dominantly owned and managed by men.

Further, many owner-managers have previously worked as employees in the sector before they decided to become a business owner. The work reported by Douglas and Shepherd (2002) will help explain some of the driving forces and objectives of the owner.

### 2.8: Chapter Summary

The focus of this research, as defined in Chapter 1, is an examination of the approach and process of planning by small business owner-managers. The literature is not clear about agreed definitions of small business or planning. The effect on planning of the complex set of business goals of the owner-manager is not well understood. But all three are closely linked in this study since it is likely the owner-manager’s demographic background influences their goals and, in turn, their goals influence planning.

The next chapter is devoted to the method used to obtain the data required to answer the research questions being considered.
Chapter 3: Methodology

3.1: Introduction

Establishing the methods used in a research project requires critical decisions to be made prior to generating data. For Gill and Johnson (2002, pp.29-30) observations are neither independent nor neutral as all knowledge is from a particular view point. Hoyle, Harris and Judd (2002, p.18) emphasised the difference between casual observation and rigorous research. Social scientists looked for biases and pitfalls in the processes used to support and validate their ideas and submitted their conclusions to others for scrutiny. This separated a researcher from a casual observer who often gather evidence in support of hypotheses without being aware of or worried about the biases inherent in the processes used. Rigorous research was characterised by:

- carefully defined concepts,
- boundaries and methods that reflected the underlying approach to research used,
- articulated and defensible assumptions, beliefs and values of the researcher,
- consistency of approach, and
- consistency of the relationship between the components of the project.

Further the approach adopted must reflect the specific nature of the business/social context that applies and the relevant theoretical development available. The key research questions stated clearly influences the methods employed. The research questions for this project were presented in Chapter 1 as follows:
The project investigated the following primary research question:

1: What were the practices of business planning by small, owner-managed enterprises in the Victorian forest growing and harvesting sector?

Secondary research questions investigated included:

2a: What was the education background, business skill level and demographics of owner-managers in the forestry sector in Victoria?

2b: Was there a difference in planning frequency and practice between small capitalisation operations and operations which require costly machinery?

2c: Is there a relationship between the sophistication of the planning approach and the education level of owner-manager?

This chapter outlines the design of the original research undertaken in the project in order to answer the above questions. In addition, operational aspects of the research are discussed, including descriptions of tools for recording data and analysis tools.

3.2: Philosophical Considerations

Gill and Johnson (2002, pp.43-44) described a continuum of research methods that allows different research approaches to be distinguished on the logic they bring to bear in the conduct of that research. The continuum was based on the relative emphasis on deduction or induction, the degree of structure, the kinds of data generated and the forms of explanation that emerged. Gill and Johnson’s model showed that rigorous research could be located somewhere between pure deduction and pure induction and that varying degrees of positivism and interpretivism was possible. For Gill and Johnson (2002) all research methods adopt a position according to the relative emphases shown in Table 3.1.
Table 3.1: A comparison of nomothetic and ideographic research methods

<table>
<thead>
<tr>
<th>Nomothetic methods emphasise:</th>
<th>Ideographic methods emphasise:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Deduction</td>
<td>Induction</td>
</tr>
<tr>
<td>2: Explanation via analysis of causal relationships</td>
<td>Explanation of subjective meaning</td>
</tr>
<tr>
<td>and explanation by covering laws</td>
<td></td>
</tr>
<tr>
<td>3: Generation and use of quantitative data</td>
<td>Generation and use of qualitative data</td>
</tr>
<tr>
<td>4: Use of various physical or statistical controls</td>
<td>Commitment to research in everyday settings</td>
</tr>
<tr>
<td>so as to allow testing of hypotheses</td>
<td>to allow access to and minimise reactivity among</td>
</tr>
<tr>
<td></td>
<td>subjects</td>
</tr>
<tr>
<td>5: Highly structured research methodology to ensure</td>
<td>Minimum structure to ensure 2, 3 and 4 (as a result</td>
</tr>
<tr>
<td>replicability of 1, 2, 3 and 4</td>
<td>of 1</td>
</tr>
</tbody>
</table>

Based on Table 3.1, the following methodological continuum shown in Figure 3.1 was developed by Gill and Johnson (2002, p.44).

Stiles (2003, pp.263-264) insisted the implications of the different approaches to social research, their underlying views and their application to the research phenomenon, were important considerations when undertaking a research project. Stiles (2003, p.265) reported that a number of papers embraced a middle ground method of social research that was somewhere between positivism and phenomenology (interpretivism). This type of research methodology was called “realism”.

Figure 3.1: Methodological continuum

Laboratory experiments, quasi-experiments, surveys, action research, ethnography

A realist perspective acknowledges that the knowledge could be partial or incomplete and is developed by an interaction between the researcher and participant. It is necessary to
explain observations through the use of theoretical frameworks in order to understand the underlying mechanisms that influenced people’s actions. The realists’ use of mixed research methods reveals dimensions and knowledge obscured by separation of truth and virtue, facts and values, theory and practice which was usually demanded by positivist and interpretivist approaches (Symons 1994 in Stiles 2003, p.265).

3.2.1: Realism

For Hearly and Perry (2000, p.123) the world of realism was not a laboratory but one in which people made choices in an open system based on any number of rational and irrational factors including personal preference and prior experience. This aspect of their research environment in addition to the fact that the social world was not a laboratory where the conditions for triggering of causal mechanism could be created on demand set realism apart from positivism. One of the objectives of realism research was to develop a set of answers that covered several contingent contexts and different reflective participants, even if imperfectly (Pawson and Tilley 1997, p.1997). Realism research was neither value-free nor value-laden; rather, according to Hearly and Perry (2000, p.123), it was “value aware”. The complexity of the realist’s world meant that realism research was primarily theory-building rather than the theory testing focus of positivist research. Realism researchers look to develop data about an issue identified prior to commencing the data collection on a carefully defined sample.
It was appropriate for this project to adopt a realist methodology as the goal was to observe and understand a sample’s beliefs and behaviour without trying to place the researcher inside that sample or to test a hypothesis. Data collection was based on a semi-structured interview and questionnaire. The project was neither a pure inductive or deductive research method occupying an intermediate position between experimental research and action research.

According to Gill and Johnson (2002, pp.96-97) some surveys are connected to deductive enquiry by an emphasis on reliability in data collection often with close-ended questions using nominal, ordinal, ratio and interval scales. Other surveys explore substantive areas using open-ended questions to collect inductive forms of data. Still other surveys have as their primary aim the description of the characteristics of a specific population at a particular point in time, similar to a census. This project worked with all three approaches to investigate for the first time the characteristics of the sample and their approaches to business planning at a point in time.

Hearly and Perry (2000) adopted a similar analysis of approaches to research as Gill and Johnson (2002) but chose to allocate names to the methods shown in Table 3.1. Their analysis reviewed the four categories of Guba and Lincoln (1994 in Hearly and Perry 2000, pp.118-120) and identified the following four categories:

1) Positivism
2) Realism
3) Critical theory, and
4) Constructivism.
According to their system of classification, the research undertaken in this study would be classified as realism since it was based on an in-depth interview with an interview protocol designed to pose questions based on exploring a predetermined outside reality (Hearly and Perry 2000, p.120). The ontology of realism required that the research deals with complex social phenomena involving people’s reflections of independent creations of minds (Hearly and Perry 2000, p.121) also applies in this case.

### 3.2.2: Validity and reliability

Six criteria for judging validity and reliability of qualitative research were suggested by Hearly and Perry (2000, pp.121-124):

1) ontological appropriateness,
2) content validity,
3) epistemology,
4) methodology,
5) analytic generalisation and
6) construct validity.

Evaluating the design and implementation of a research project on the six criteria ensures validity and reliability. The following analysis applies the conceptual framework to this project:

1) **Ontological Appropriateness:**

   ➔ **Conceptual Framework:** The ontology of realism assumes that the research is dealing with complex social phenomena involving reflective people. Hence it is a “how and why” problem.
2) **Content Validity:**

- **Conceptual Framework:** The research is in an open “fuzzy boundary” system involving generative mechanisms rather than direct cause-and-effect systems. Hence research requires theoretical and literal replication using in-depth questions with an emphasis on “why” issues and careful attention to developing a description of the context of each case.

- **Application:** The use of a semi-structured interview designed to provide a detailed picture of the organisational and relevant personal background of the owner-manager followed by an investigation into how planning takes place and why it is done that way.

3) **Epistemology:**

- **Conceptual Framework:** Realism is neither value-laden nor value-free but value aware, accepting that there is a real but imperfect world to discover. Each participant’s reality is one of multiple realities which must be compared with other data and, if possible, interpretations.

- **Application:** Fifty eight participants from a wide range of backgrounds, activities and locations were interviewed. The interview design incorporated a wide range of values about planning and examines participants’ views from different directions. The analysis method acknowledged an imperfect research environment by looking for multiple patterns and relationships within the data and allowed for individuals to provide open-ended comments to some questions as well as space to make any additional comments.
Methodology:

→ **Conceptual Framework:** Methodological trustworthiness refers to the extent the study can be audited and the extent data is correctly used in the report.

→ **Application:** All completed interview response sheets, raw electronic data files and statistical package output files have been retained and are available for inspection and further analysis. All data was carefully checked for coding errors. Lists of participants have been retained.

4) **Analytic generalisation:**

→ **Conceptual Framework:** Data was generated to allow analytic generalisations, model construction and possibly theory generation. Research issues and interview protocols were identified before data collection.

→ **Application:** A semi-structured interview instrument based on a defended research question, interview protocol and conceptual framework was formulated prior to face-to-face interviews that were conducted by the researcher only. Trial interviews and case studies were undertaken prior to data collection to ensure a workable interview protocol had been formulated. Consistency between interviews was enhanced by use of a single interviewer and ordinal scales where possible.

5) **Construct validity:**

→ **Conceptual Framework:** refers to how well information about constructs in the theory being built was measured in the research.

→ **Application:** This study built on earlier work undertaken analysing aspects of planning and strategy by farming families and large capitalisation businesses. Multiple interviews enabled comparison and grouping of data, theme identification and contrasting of responses.
This project did not impose a view or model of planning against which to measure participants’ performance. Rather, the focus was to capture the social reality of *ad hoc*, unstructured and unreported planning. Research methodologies used must reflect the need to avoid imposing definitions and instead reflect the need to catch the full spectrum of planning from informal and partial to detailed business plans.

The project lent towards an interpretivist epistemology in so far as the research design did not presuppose the findings. Interpretivists are more concerned about looking into the world that surrounds them to create meaning, rather than analysing the world at large to expose basic patterns and relationships. To an interpretivist much of social life is routine and is conducted in a taken-for-granted, unreflective manner. (Blaikie 2000, p.116). This was particularly applied in this study as many owner-managers believed they did not plan because they did not write detailed planning documents similar to those produced by big businesses.

Much prior research into business planning was based around the hierarchy of business planning with an underlying assumption that results from respondents that do not conform to accepted patterns is not planning. There are probably good reasons for adopting this position when investigating planning by big business, however this approach, restricts research into small business planning where formal planning is less common.
3.3: Data collection

Prior to commencement of the survey, an application to proceed was made to the University’s Ethics Committee. Approval to conduct the fieldwork was received.

Adopting a realist methodology, a semi-structured interview approach was selected. This accommodates the investigation of specific aspects of the way small business goes about its business planning while allowing for unstructured comments and discussion to be included.

It was considered that this approach allowed:

- themes that emerged during interviews to be identified and investigated,
- aspects of and approaches to small business planning not reported in the literature to be identified, and
- the richness of the diversity of approaches used by small business to be captured and reported.

The main data collection instrument was a paper-based questionnaire that included open and closed-ended question interviews. Two approaches for the data collection were considered: mail out of questionnaires or face-to-face interviews.

A mail-out involved developing a mailing list of suitable small businesses which would be sent a copy of the questionnaire for completion and return. A large number of questionnaires would have to be sent to ensure a useful sample since this approach has notoriously low return rates. For example, Feltham et al (2005, p.3) sent out 7,500
surveys to family-owned businesses in Canada to receive only 765 returns, a response rate of 10%. Brouthers et al (1998, p.132-133) reported slightly better; having 90 of 233 questionnaires sent to small Dutch firms returned of which 80 or 34% were usable. Walker and Brown (2004, p.583) reported a “good” response rate for the return of their questionnaire of 40%. They found that 61% of businesses responded when they had spoken to the owner prior to posting the questionnaires whereas unsolicited questionnaires posted to “The Proprietor” only had a 16% response rate.

Further, forestry contractors are very busy people and would be unlikely to find the time to sit down and fill out a form for someone who was not known by them. Given the low education levels reported in the forestry sector (OTTE 2004) it was likely that many returned forms would not be answered correctly. Problems with consistency of answers would exist and answers to open ended questions would lack the depth that comes from discussing the response face-to-face. Feltham et al (2005, pp.3-4) reported concerns with self-reporting survey responses as there may be a difference between the situation as perceived by the respondent and the reality, so a bias would exist. However, the direction of the bias was not clear.

Concerns with posted-out questionnaire methods of small business research were voiced by Morgan (1998, p.24) who suggested that the process of posting out questionnaires without having face-to-face contact with the participant engendered in many studies a weak method, variability in measures, a tendency to over generalise from limited samples (due to low response numbers), and dubious statistical relationships. Morgan (1998, p.3)
continues:

If research in the field of small business and entrepreneurship is to progress anywhere then there is arguably a need for a much closer engagement with the owner-manager and an emphasis on the practical application of research methodologies and findings.

Engagement of participants in this study was essential as they provided referrals and introductions to other owner-managers in their local network. Such introductions were essential to encourage the owner-managers to find the time to attend an interview.

Feltham et al (2005, p.13) conducted a survey into dependence on the owner in family firms and noted the potential for bias that their posted-out method had due to the need to have respondents self-assess various parameters.

A more serious and fundamental problem with using the mail to distribute the questionnaire is that it tends to self-select respondents. Those with poor literacy skills are unlikely to respond. It is possible that those who do not formally plan may also be those who are unlikely to take the time to accurately fill out and return a questionnaire. For all these reasons, sending out a questionnaire was not considered an option for this research.

The alternative was to use a semi-structured face-to-face interview approach. With suitable sampling techniques, a good cross-section of the population is possible, including groups that would not respond to a mailed questionnaire.
The trade-off is the high cost in time and travel to attend interviews. The number of interviews reflects the resources available and the cost per response may well be higher than for a mailed questionnaire. The researcher considered the consistency of data and higher quality of data generated by face-to-face interviews justified the costs.

Hence a face-to-face semi-structured interview with sufficient time allocated to record discussions associated with unplanned comments and responses was selected as the major data collection process. Consistency of responses in the survey was enhanced by only having the researcher undertake the interviews and record the data for all interviews.

For consistency and to facilitate analysis, an interview protocol based on a set of questions was developed. The approach also incorporated flexibility to allow exploration of aspects of small business planning not considered in the design phase or to allow for a more detailed investigation of a topic that a participant considered important and not covered adequately by the interview schedule.

Careful consideration and attention to detail in the design phase resulted in few unexpected outcomes when collecting and analysing data. Careful preparation of the interview schedule ensured answers to the research questions were delivered and reflected a consistent ontology and epistemology.

Allocating considerable effort into planning, designing and formatting of the survey form (Appendix 1) prior to embarking on field data collection helped avoid a number of
possible problems including:

- Unstructured questions changing over the time of sampling,
- Inclusion of questions that are not relevant to the research topic,
- Loosing data by not recording answers, and
- Not being able to analyse the answers due to poor question design.

### 3.3.1: Design fundamentals of the survey

The survey was structured to accommodate all approaches to planning used by small business identified in the literature and during preliminary investigations as the sample had a diversity of firm sizes and approaches to planning. Early in the questionnaire development, it was decided that a branching approach to the design would allow different approaches to planning by owner-managers to be specifically addressed without losing detail and richness; which was a distinct possibility if a linear design had been pursued.

The survey was also designed to uncover people’s actions as well as their opinions. For example, small business owner-managers often felt and said they did little planning when the reality was that they had very strong visions for the future of their business, visions that were discussed with some of their key stakeholders. The survey was designed to uncover the existence and form of planning and vision as well as the opinion of the owner-manager as to the amount and value of the planning they do.

Recording responses to the questions on the survey form itself was the best way to overcome the problem of combining the roles of interviewer and recorder in one person.
Previous experience of trying to combine these roles showed how difficult it is to concentrate on responses seeking deeper insight through further questions and discussions with the owner-manager while trying to write an accurate record of the answers. Also, the type of people involved in this study do not like recording of the interviews for later transcription. Extensive use was made of 5 point Likert scales due to ease of recording and consistency of results obtained when undertaking a face-to-face interview.

Confirmation of transcripts and responses to questions by the participants was considered highly desirable. Recording interviews for later transcription and posting to participants for verification and return was unlikely to be successful as it was unlikely they would look at or return the transcript. Recording answers on the survey form as the interview progressed allowed responses to be recorded in the presence of the participant. Further, time was made available to go over the completed form at the end of the interview to ensure responses were as the participant wanted. Changes, additions, comments and reflections were encouraged during the review stage and often contributed further insight.
3.3.2: Design structure of the survey

The survey was designed to accommodate the following types of owner-managers:

1: Those who report that they did not do any planning in the last 3 years.
2: Those who recognised they had done some planning in the last 3 years:
   2a: Those who acknowledged they planned but did not document any of the results (informal planners).
   2b: Those who acknowledged they planned and recorded some of the results (partial planners).
   2c: Those who developed one or more formal planning documents - including a budget or strategic plan (formal planners).

The survey was designed to first gain an understanding of the types of forestry activity and range of businesses the owner-manager was involved in. It was assumed that the firm could be involved in a number of types of work in the forest. It was also expected that work outside of the forest was quite likely but this was not investigated to any great detail in this project. Selected demographic details of the owner-managers interviewed were obtained prior to an investigation into their planning practices. The survey was organised into 7 sections. Streaming of responses to suit the above types of respondent made it impossible for a respondent to visit all 7 sections.
The sections were designed as follows:

1. Review of the business/operation (mandatory – response required from all)
2. Defining participant’s view of his/her planning history (mandatory - response required from all)
3. For those who developed planning documents (choose between Sections 3 or 4)
4. For those who did not develop any written planning documentation (choose between 3 or 4)
5. Describing vision for their business/operation (mandatory)
6. Background information of the respondent (mandatory)
7. Conclusion

At the end of the interview schedule was a blank page for the interviewer to record any data, comments, impressions or other partial material. This was important so that material would not be lost. At least 30 minutes was allocated between interviews for reflection and recording.

The draft survey was circulated to three experts in social forestry for comment at various stages in the development phase. Towards the end of the development phase, four trial interviews were conducted with suitable participants. This proved to be a very valuable exercise as it identified flaws in logic, wording and response structures that were corrected before the final version was developed. The final questionnaire for the interview is included in Appendix 1.
3.4: Identification and Selection of Interview Subjects

The initial target of 40 interviews increased to between 50 and 60 interviews after initial research revealed it is likely that there would be two subsets of businesses in the sample: operational Contractors and professional Consultants.

Initial identification of eligible owner-managers was not easy. Cold contact based on lists or phone book entries proved an unsuccessful way to contact the owner. The call was often not answered or failed to make it past reception. Extensive use of referrals and networks to establish initial contact with people was a much more successful technique. The ability to use a familiar name as a referral immediately gave the approach some credibility and got the support of the person answering the phone. The owner-manager was often not available to take the call, being out of phone contact in the field. Regularly, the office would provide private phone numbers for the owner-manager and suggest the best time to make contact. Once contact was made with the owner, almost all agreed to be involved in the survey. Only two owner-managers of the 60 contacted were not interviewed. One owner-manager proved very difficult to meet with. After he failed to keep three appointments, it was decided not to attempt to schedule a fourth meeting. One owner-manager refused outright to be interviewed. This very high response success rate was well above any reported in the literature reviewed for this study.

Interviews were held in most of the major towns supporting a major forest industry in Victoria to ensure a wide geographical spread. Nearly all interviews took place in the
forest or in the firm’s office or shed, requiring the researcher to drive to each interview location. The participants were busy, self-employed field operators; usually tough men working long hours in a rugged and competitive environment. Their support was not assured and every effort was made by the researcher to minimise disruption and inconvenience to the owner-manager due to participation in the study. Every interview that was commenced was also completed as no owner-manager requested to stop the interview. All interviews were completed in a 3 month period.

At the conclusion of the interview, participants were asked if they could think of any other people that should participate in the study; particularly owner-managers doing different types of work. Often three or more new contacts were suggested.

### 3.5: Interview Process

Each interview was allocated two hours face-to-face time. This was more than enough time in all but one interview. One interview took longer but did not need to be cut short as there was additional time available. Travel time to each interview location was also required making it difficult to do more than three interviews in a day.

At the beginning of each interview, a standardised introduction was delivered and an explanatory letter given to the participant (Appendix 2). The introduction included a description and purpose of the project, confidentiality and ethics considerations, confirmation of University and Ethics approval for the study, a summary of the form and
process of the interview, a description of the pooling and analysis of data to be generated and an estimate of the time needed to participate in the study. The participant was then asked if he or she wished to participate. Every person that received this briefing wished to be involved in the study and immediately entered the questionnaire/interview process.

During the interview, responses were encoded on a copy of the survey in full view of the participant. Most responses involved selecting an option in a response list but unexpected answers and relevant discussion were also recorded. Some questions required the participant to explain an aspect of their planning. Responses to these questions were written in free-form to allow replies that were unrestricted by pre-selected responses. Changes were allowed in responses and the responses provided were summarised at the end and corrected as requested.

At conclusion of the interview the participant was asked if he/she would be available for further discussion and if he or she would like to receive a summary of the results of the study. If either of these questions received a “yes” response, the contact details were recorded on a separate sheet. Time was allocated following each interview for the researcher to record impressions and comments about the interview on the interview response form.

The expense and effort taken to conduct the research in regional centres and small towns was appreciated by participants. Face-to-face contact was considered necessary to build support for the project and to develop rapport between researcher and participant. There
was usually a free flow of comments, ideas and opinions during the interview. The richness of the data collected was increased substantially by the opportunity to meet and discuss. Where possible, the participants were invited to an informal social gathering the following evening providing an opportunity where questions could be raised about the project and a chance for a discussion between participants about the topic of business planning which provided a further opportunity for informal discussions. Some people arrived wishing to make more comments after thinking about the topic. These comments were recorded separately for consideration since they could not be linked to the appropriate survey form with a high degree of accuracy.

A total of 58 interviews were completed.

3.6: Processing and Analysis of Data

Within 24 hours of each interview, the responses were encoded into a data matrix using SPSS (Version 12.0 for Windows). Encoding shortly after the interview was considered important as the interview was fresh in the mind of the researcher. Often encoding was done in the evenings. This was given a high priority since it was often possible to contact a subject the next day for expansion on a comment made or clarification of some aspect of the interview if required.

Coding of data for close-ended questions was validated by checking for coding errors before analysis was commenced. Initial analysis was undertaken using Excel (Windows Version 2003). Higher level analysis was performed using SPSS version 12.0 for
Windows. Analysis of open-ended questions was undertaken by manually reviewing responses and looking for themes.

3.7: Chapter Summary

Using a realist approach, a questionnaire was designed to examine the approach and processes of small business owner-managers’ planning. The questionnaire was designed to include open and closed-ended questions with space to record discussions and comments made during the interview. The project and methodology was granted University Ethics approval to proceed.

Data was gathered during face-to-face interviews ensuring a high response rate and more accurate answers than could be obtained by posting out the questionnaires.

The data was encoded and verified before analysis using Excel and SPSS Version 12. The next section presents the results obtained in the study.
Part 2: Results

Chapter 4: Preliminary Results

Chapter 5: Owner-manager Demographics

Chapter 6: Planning Profile and Vision

Chapter 7: Planning Documentation

Chapter 8: Non-planning Owner-managers
Chapter 4: Preliminary Results

4.1: Introduction

This chapter aims to introduce the data gathered during fieldwork to present a picture of the demographic variables of the respondent firms that contributed to the research. The business details of responding firms are initially presented and the possibility of sub-samples within the sample is investigated. The data presented includes an analysis of the type of work undertaken and the size of the firm.

4.2: Business Details

A total of 58 owner-managers were interviewed. There was a good geographical spread with most of the major regional forestry centres in Victoria included as shown in Figure 4.1.

Figure 4.1: Map of interview locations - Victoria
4.2.1: Work undertaken

A wide range of forestry related work predicted was represented in the survey as shown in Figure 4.2. This figure shows the mean response on a scale of 1 to 5. Many participants were working in two or more activities.

<table>
<thead>
<tr>
<th>Work Undertaken</th>
<th>Never</th>
<th>Extensively</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site preparation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weed control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fertilising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site surveys</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bush fire related</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pruning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log haulage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n=58 - many selected more than one activity

Figure 4.2 is not a very informative diagram but is included because it illustrates the low means achieved in the analysis. Further analysis on the sample follows to develop a meaningful partition which will reduce the masking effect of taking means in a sample.
which possibly contains discrete sub-sets.

The results indicated that very few firms worked exclusively in one area. Most firms had a focus on two or more types of work. For example, harvesting Contractors often were involved in log haulage and loading logs onto trucks. Site preparation Contractors often also worked on road and fire line construction. All three tasks require heavy bulldozers. Planting Contractors often were also involved with weed spraying. Both activities are labour intensive and sometimes the contracts to control weeds and plant trees are linked.

Pruning Contractors were the least well represented group, possibly because of the difficulty experienced in finding any to interview. The number of pruning Contractors based in Victoria has declined in-line with the significant reduction of forest area being pruned. Nursery owner-managers growing seedlings for the plantation industry also had a small representation. There are only a few growers operating large forest plantation species nurseries in Victoria. The comparatively low standard deviation for Nursery owner-managers and bush fire related services indicated that firms working in these areas were the most specialised in the survey.

The pooled total for “other” was the biggest category of work undertaken in the survey. A total of 28 owner-managers included activities in the “other” category included planning, surveying, training, contract forest management, computer modelling, harvesting consultancy, undertaking risk assessments, growth modelling and forest inventory. Fewer than six firms were engaged in each type of work. The higher mean responses seen
in Figure 4.3 compared to Figure 4.2 shows that firms nominating work in the “other” category were more inclined to be focused on one or two activities.

<table>
<thead>
<tr>
<th>“Other” work types included</th>
<th>Number of Owners</th>
<th>Never 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processing woodchips</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OH&amp;S Audits</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GIS, Surveying</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Management</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Other – not shown)</em></td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4.4 shows the overlaps between different types of work undertaken by individual firms by recording a count for each activity for each firm that recorded more than one activity. The matrix produced illustrates the associations between types of work undertaken by single firms. Figure 4.4 indicates that certain types of work are often undertaken by single firms. The strongest link indicated that firms involved in harvesting often also worked as log haulage contractors. Strong association between fire related work and weed control was also found.
Some Contractors diversified their activities into associated work outside of the forestry sector. For example a water truck contractor that worked in forest road construction also owned a school bus. His workshop and fuel stores supported both parts of the business. By operating similar engines and drive trains in the bus and tanker, he was able to specialise his mechanical expertise and reduce the size of the spare parts inventory.
supported. Some weed control Contractors operated tractor based equipment that was also used to work on their own farm as well as other weed control contracts with farms and local government. An investigation into the management of work outside of the forestry sector was not included in the scope of this project and was not investigated beyond identification of the type of work involved.

Examination of Figures 4.1, 4.2 and 4.3 in conjunction with Figure 4.4 shows that the sampling method successfully caught a wide range of activities by owner managed firms in the forestry sector located over much of Victoria without any one type of work or location dominating.

4.2.2: Size of businesses

Measures of business size can be based on a number of variables. In this study, annual turnover, number of full time equivalent employees and the heavy equipment inventory of the firm were recorded. Each parameter gives an independent indication of firm size.

4.2.2.1: Firm size measured by annual turnover

Figure 4.5 summarises owner-manager estimates of their firm’s annual turnover before tax for the 2003/4 financial year. Care needs to be taken when interpreting these figures. Turnover before tax, rather than profit, was used as a financial indicator of firm size due to complex taxation and owner-managership arrangements. The true level of profit would be almost impossible to obtain since superannuation arrangements, family trusts and
other investment and owner-managership strategies cloud the figures.

During the interviews, all owner-managers willingly and immediately nominated a turnover category suggesting that they all had a good general feel for the turnover of their business.

![Figure 4.5: Annual turnover ($)](image)

**4.2.2.2: Firm size measured by employee numbers**

A second indicator of organisation size used in this study was the number of equivalent full time employees (EFTE) which included paid and un-paid family members and others. EFTE proved difficult for some owner-managers to estimate since a combination of seasonal, part-time and contract labour was employed. Other owner-managers worked
across a number of sectors with staff working in forestry and other areas. Estimates for
the EFTE staff used on forestry activities were difficult. A best estimate was obtained in
all cases.

Work by the owner-manager was included and allocated 1 EFTE unless they were
involved in a number of sectors when the proportion of full time spent on forestry
activities was estimated. Similar treatment was given to semi-retired Consultants. Figure
4.6 shows the distribution for the total number of staff. The relatively large standard
deviation of 17.8 compared to the sample mean of 11.6 indicates that there was a big
range in the sample and suggests the sample is not a homogeneous group.

Firms that employed 1 to 2 EFTEs were typically one person activities with some part-
time book-keeping and clerical help. Firms employing 4 to 10 EFTEs included a low
capitalisation, high labour input firm employing seasonal field workers to small firms that
operate two or more units of heavy plant. The owner-manager still did some driving/plant
operation when required but employed full and part-time drivers to ensure maximum
usage of high cost equipment. For the larger firms, book work was typically performed
by one or more full time clerical officers.

Large firms employing 25 or more EFTEs were all involved in harvesting, in-forest wood
chipping and/or road haulage of forest products (logs, wood chips and/or timber).

4.2.2.3: Firm size measured by plant and equipment inventory

The number of plant operated by each business was included since it gives an indication
of business activity and size of firm since most firms that work in the forestry sector need
to get out to the forest somehow. Plant number owned and operated by each firm (not
including sub-contractors) is summarised in Figure 4.7 broken into vehicles, quad-bikes
and heavy plant. Labour intensive businesses operated a relatively large number of four-
wheel-drive vehicles per EFTE while businesses reliant on heavy plant based operations
had relatively few cars/utilities in proportion. Weed control firms included a number of
quad bikes while all other firms did not.
4.2.2.4: Analysis of sample homogeneity based on firm size

Based on a number of measures, one firm (Reference number: C9) appeared larger than the rest of the sample. C9 employed 103 EFTEs. The firm ran a fleet of over 40 trucks with additional sub-Contractors carting wood chips from forest to port. C9 was also involved in farm product merchandising, a stock and station agency, grain merchant, and farm services. The forestry operations had a turnover of over $9m per year which was $3m more than the next largest in the sample. During the interview, the owner-manager assured the researcher that he was involved in day to day management of forestry operations despite employing a forest operations manager and a transport logistics manager. The second largest firm employed 47 EFTE and operated 27 trucks. It was decided that the owner-manager of C9 was too far removed from day-to-day operations in
the forest sector to fit into the definition of an owner-operated small business used by this project. C9 was classed as an outlier and not included in any further analysis.

4.2.2.5: Sub-sets within the sample

A review of the businesses described in the preceding sections indicated that the sample was not uniform. It was decided to test for the presence of two subsets within the sample as follows:

- Consultants providing professional advice based on mostly high level cognitive activity, and
- Contractors providing physical services to forest owner-managers based on using labour and/or equipment.

Each firm in the sample was placed into one of these sub-sets based on data recorded during the interview. There were 17 of 57 owner-managers interviewed (30%) in the Consultant group and 40 owner-managers of the total sample of 57 that were classified as Contractors (70% of sample).

The work undertaken by Consultants was very different to that undertaken by Contractors. Consultants’ work often required high level cognitive skills with little contribution from manual labour or heavy equipment. Activities included forest inventory analysis, forest modelling, advising management, specialist training services and OH&S assessments and certification audits. These diverse categories of work were difficult to pick and inflated the number of owner-managers who fell into the “other” category in Figure 4.2.
Work undertaken by Contractors fell into three groups:

- Labour intensive field services such as planting, hand fertilising and weed control,
- Capital intensive requiring heavy equipment such as harvesters, prime movers and trailers, bulldozers, helicopters or transportable log chippers, or
- Nursery services growing seedlings for plantation establishment.

Figure 4.2 was revised on the separation described above to produce Figure 4.8.

<table>
<thead>
<tr>
<th>Work Undertaken</th>
<th>Never</th>
<th>Extensively</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site prep</td>
<td>1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Planting</td>
<td>1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Weeds</td>
<td>1.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Fertilising</td>
<td>1.00</td>
<td>1.4</td>
</tr>
<tr>
<td>Inventory</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Harvesting</td>
<td>1.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Site survey</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Nursery</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Bush fire</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Pruning</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Log haul</td>
<td>1.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Other</td>
<td>1.5</td>
<td>3.6</td>
</tr>
</tbody>
</table>

= Contractors (n= 40), = Consultants (n= 17).

p values from t test for differences in means between contractors and consultants for each type of work: ns – not significant, * - significant (p< 0.05), ** significant (p<0.01).
Harvesting and haulage were the most frequently sampled activity due to:

- Harvesting and haulage of forest products is a major aspect of forest management activities with many people involved, and
- Haulage and, to a lesser extent, harvesting Contractors are highly visible and have a strong network making it slightly easier to locate and contact owner-managers to request an interview.

The work included in the “other” category was further analysed as seen in Figure 4.9 showing that there were 28 “other” work types nominated by 21 Consultants and four “other” work types nominated by Contractors.

<table>
<thead>
<tr>
<th>Included in “Other”:</th>
<th>Contractors (Number)</th>
<th>Consultants (Number)</th>
<th>Frequency of work undertaken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>0</td>
<td>4</td>
<td>Never - Extensively</td>
</tr>
<tr>
<td>Consulting</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Processing woodchips</td>
<td>4</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>OH&amp;S Audits</td>
<td>0</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>GIS, Surveying</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Contract Management</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>(Other – not shown)</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Confirmation of the appropriateness of dividing the sample into Contractors and

Page: 81
Consultants can be seen by considering the numbers of staff, plant and annual turnover in Table 4.1.

<table>
<thead>
<tr>
<th></th>
<th>Contractors Mean (standard deviation)</th>
<th>Consultants Mean (standard deviation)</th>
<th>t test ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Staff (EFTE)</strong></td>
<td>13.4 (14.5)</td>
<td>2.0 (1.6)</td>
<td>p=0.000 **</td>
</tr>
<tr>
<td><strong>Plant: Vehicles</strong></td>
<td>5.1 (3.6)</td>
<td>1.9 (0.5)</td>
<td>p=0.000 **</td>
</tr>
<tr>
<td><strong>Quads/Bikes</strong></td>
<td>0.57 (1.4)</td>
<td>0.0 (0.0)</td>
<td>p=0.014 *</td>
</tr>
<tr>
<td><strong>Heavy Equipment</strong></td>
<td>5.3 (4.5)</td>
<td>0.0 (0.0)</td>
<td>p=0.000 **</td>
</tr>
<tr>
<td><strong>Annual Turnover Score</strong></td>
<td>4.6 (2.6)</td>
<td>1.6 (0.5)</td>
<td>p=0.000 **</td>
</tr>
<tr>
<td>(1 = $0-$1,000,000 to 8 = &gt;$5m per year)</td>
<td>(= $1m - $1.5m)</td>
<td>(= $100,000 - $500,000)</td>
<td></td>
</tr>
<tr>
<td>n=40</td>
<td>n=17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹: p values from t test for differences in means between contractors and consultants: ns – not significant, * - significant (p< 0.05), ** significant (p<0.01).

The significant difference between annual turnover reflects the additional costs of running firms as they get larger and so is a consequence of significant difference between the mean number of staff and mean number of plant employed by Contractors and Consultants.

On the basis of the results show in Table 4.1, it is valid to partition the sample into two sub-groups (Contractors and Consultants). The analysis that follows separates the two sub-populations in the sample and will report any differences between the two sub-sets that arise.
4.2.3: Legal structure of the business

The need to protect the owner’s personal assets and financial pressures to formalise business operations has resulted in the vast majority of businesses in the sample being structured into private companies. Figure 4.10 shows the types of legal structures established by owner-managers in the sample. As a group, Contractors owner-managership structures used were significantly different from Consultants.

![Figure 4.10: Firm ownership](image)

Figure 4.10 indicates that a higher percentage of Consultants worked as private individuals than Contractors probably due to the number of semi-retired Consultants in the sample.
4.3: Contractors

The types and structures of the businesses of Contractors within the sample were not uniform. Some firms relied heavily on heavy plant and equipment to generate income. Activities for this group included mechanical weed control, haulage of logs or wood chips, on-site wood chipping, mechanical site preparation, road and fire trail construction, wild fire control and forest product harvesting. These firms had a high annual financial turnover per employee since they were required to finance, operate and maintain heavy equipment.

Another group within Contractors undertook labour intensive work requiring a larger labour input with a much reduced reliance on heavy plant. These firms had a lower annual financial turnover per staff member.

It was considered possible that the planning characteristics of the two groups were different and worth further investigating.

To avoid complications because of imprecise definitions of firm size, the contractor sub-sample was separated into two sub-sets based on each firm’s staff and equipment inventory as follows:

- Capital Intensive Contractors (CIC) and
- Labour Intensive Contractors (LIC)
Chapter 4: Preliminary Results

The separation was based on the scaled annual turnover to staff ratio (SATSR: mid-point of turnover class divided by number of staff (EFTE) scaled down by 1,000). A review of the resulting SATSR showed that almost all Capital Intensive Contractors were 100 or above and all Labour Intensive Contractors had a SATSR of below 100. One owner-manager had a SATSR of exactly 100. This firm was a log truck owner-driver with no employees and was allocated to the CIC group.

The validity of this classification of Contractors is confirmed by the data shown in Table 4.2.

Table 4.2: Capital dependent vs labour dependent Contractors

<table>
<thead>
<tr>
<th></th>
<th>Labour Intensive Contractors</th>
<th>Capital Intensive Contractors</th>
<th>t test¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean (standard deviation)</td>
<td>Mean (standard deviation)</td>
<td>p</td>
</tr>
<tr>
<td>Number of Staff (EFTE)</td>
<td>10.4 (11.4)</td>
<td>11.07 (16.1)</td>
<td>0.28 ns</td>
</tr>
<tr>
<td>Vehicles/4wd (number)</td>
<td>4.5 (4.9)</td>
<td>6.0 (3.9)</td>
<td>0.30 ns</td>
</tr>
<tr>
<td>Quads/Bikes (number)</td>
<td>1.1 (1.75)</td>
<td>0.27 (1.02)</td>
<td>0.04 *</td>
</tr>
<tr>
<td>Heavy Equipment (number)</td>
<td>0.88 (1.5)</td>
<td>15.0 (13.9)</td>
<td>0.000 **</td>
</tr>
<tr>
<td>Annual Turnover</td>
<td>$620,000 ($949000)</td>
<td>$1,900,000 ($3,110,000)</td>
<td>0.000 **</td>
</tr>
<tr>
<td>(1 = $0-$1,000,000 to 8 = &gt;$5m per year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SATAR</td>
<td>53.5 (27.0)</td>
<td>313.6 (199.0)</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

¹: p values from t test for differences in means between Labour Intensive Contractors and Capital Intensive Contractors: ns – not significant, * - significant (p< 0.05), ** significant (p<0.01).

Owner Profiles present actual case studies of owner-managers involved in the study.

Owner Profile 1 provides a description of Capital Intensive Contractor. This owner-manager was typical of many contractors that were encountered during the project with large capital costs and informal planning practices.
Chapter 4: Preliminary Results

Owner Profile 1: Capital Intensive Contractor

**Code:** A7  
Capital Intensive Contractor

**Operations:** Road construction, site preparation and fire control using a D8 bulldozer  
**Contracts:** Only works for the major plantation owner near home. Work obtained by direct invitation and negotiation. Price set by forest owner  
**Assets:** 1 D8 Bulldozer (leased)  
4WD vehicle.  
**Financials:** Turnover of over $900,000 per year. Company owned by A7. All equipment leased. The bulldozer has $910,000 of the $920,000 purchase cost financed.

**Background:** Finishing school at year 10, A7 rates his numeracy and literacy as 5 out of 5 but he has no computer skills at all. A7 learnt most of his technical knowledge on-the-job while working for his father.  
**Staff:** No staff employed. An accountant and a mechanic are used only when absolutely necessary. A7 works very long hours. He leaves home before sunrise to service and fuel the dozer ready to start work at day break. Work stops at sun set when he must drive home, fill the fuel tank on his ute ready for the next day, do his paperwork, eat and sleep. Work is undertaken 7 days a week. A7 reports not being married and having no social life.  
**Planning:** A7 does not plan. He accepts the price offered by the forest owner and just works as hard as he can hoping he can make a profit once he meets his finance commitments. He does not have a budget or any form of financial planning or monitoring. He knows he gets $200 per hour of operation and it costs him $70 per hour in fuel prior to the large fuel price rise in 2005.  
**Future Plans:** A7 is too busy trying to keep afloat to worry much beyond operational time frames. There is more work available from his established contract than he could complete. He is worried about asset maintenance as the type of work he is doing is very tough on machinery. He realises he needs to do some modelling of maintenance schedules but without computer skills he find this impossible. He is too busy working to worry about planning and any spare time he has (which is very little) he spends looking for a girlfriend.
In contrast, Owner Profile 2 describes a unique business encountered during fieldwork. The helicopter fertilizer spreading service is operated by a highly qualified father and son team. Also a Capital Intensive Contractor, this firm has extensive strategic and business plans as well as risk minimisation strategies.

### 4.4: Consultants

Observations indicated that Consultants interviewed did not form a homogeneous sub-set. Some owner-managers worked full time running busy and viable businesses while others were semi-retired professionals, often working alone and were active as Consultants only on a part-time basis.

![Figure 4.11: Age distribution: Consultants](image-url)
Owner Profile 2: Capital Intensive Contractor

Code: B4
Capital Intensive Contractor

Operations: Helicopter
Chemical Application

Contracts: Only works for the major plantation owners all over Australia. Work obtained by direct invitation and negotiation.

Assets: 5 Helicopters, 2 loading truck/tender, 1 dingo, 4WD vehicles.

Financials: Turnover of over $4.5m per year. The company is owned by B4 and his son.

Background: B4 (aged 50) has a degree in forestry and a degree in aeronautical engineering. He spends 50% of his time working in the field and 50% of his time in management. He is a well educated man with a sharp and innovative mind. He has developed a number of new technologies to improve the efficiency and effectiveness of his operations. He is presently developing a new bulk transporting and delivery flight system. B4 rates his literacy, numeracy and computer literacy as 5 out of 5. Despite being an owner-manager for 16 years he has never had any management training and commented that his lack of business management skills was his biggest downfall.

Staff: B4 employs 4 permanent staff (including his son) in the field and one office worker. B4’s wife works full time in the office organising logistics. Pilots are employed under contract in addition to the permanent staff.

Planning: B4 is a good planner. He reviews his business strategy every 2 months. He is exposed to international currency fluctuations since his helicopters and parts are purchased in US dollars. He uses his plans to keep on top of financial management and asset protection.

Future Plans: B4 plans to continue developing his technology. He clearly loves being in the forest and working with helicopters. He plans to expand the business to give his sons more responsibility and allow for newer equipment.
The planning characteristics of semi-retired professionals would be expected to be different from those who are full time Consultants. The data was investigated to explore a division based on age. There was a clear partition in the consultant data set based on age 55 as can be seen in Figure 4.11 and Table 4.3. The partition at 55 years was selected as no managers interviewed were between 55 and 60 years old suggesting a natural partition in the data. The two groups were called “Full Time Consultants” and “Later Career Consultants” respectively.

Table 4.3: Later Career and Full Time Consultants

<table>
<thead>
<tr>
<th></th>
<th>Full Time Consultants</th>
<th>Later Career Consultants</th>
<th>( t ) test(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Staff (EFTE)</td>
<td>1.7 (0.57)</td>
<td>2.5 (2.4)</td>
<td>( p=0.30 ) ns</td>
</tr>
<tr>
<td>Vehicles/4wd (number)</td>
<td>2.0 (0.0)</td>
<td>1.7 (0.76)</td>
<td>( p=0.24 ) ns</td>
</tr>
<tr>
<td>Quads/Bikes (number)</td>
<td>0.0 (0.0)</td>
<td>0.0 (0.0)</td>
<td>NA</td>
</tr>
<tr>
<td>Heavy Equipment (number)</td>
<td>0.0 (0.0)</td>
<td>0.0 (0.0)</td>
<td>NA</td>
</tr>
<tr>
<td>Annual Turnover ($/year)</td>
<td>$190,000 ($97,000)</td>
<td>$164,000 ($107,000)</td>
<td>( p=0.61 ) ns</td>
</tr>
<tr>
<td>SATAR</td>
<td>102.5 (36.0)</td>
<td>92.9 (40.1)</td>
<td>( p=0.61 ) ns</td>
</tr>
<tr>
<td>Age (years)</td>
<td>41.5 (4.74)</td>
<td>62.1 (2.67)</td>
<td>( p=0.000 ) **</td>
</tr>
</tbody>
</table>

\(^1\): Values from \( t \) test for differences in means between Full Time Consultants and Later Years Consultants:  
ns – not significant, * - significant \((p<0.05)\), ** - significant \((p<0.01)\).

Table 4.3 shows that there was little difference between Full Time Consultants and Later Career Consultants except for age. The significant difference between annual turnovers that was expected did not emerge. During the interviews it became clear that Full Time...
Consultants worked many more hours than most Later Career Consultants. It also became clear that most Later Career Consultants were leaders in their fields and attracted very high fees. Hours worked per week was not collected in this project but would be expected to show a difference between the two groups.

4.5: Labour

A picture of the management complexity and size of the business can be obtained by examining the labour profiles.

4.5.1: Staff employed

Table 4.4 shows the mean numbers of staff employed by Contractors and Consultants including paid and un-paid family members. There was a significant difference in the number of staff employed between Contractors and Consultants for some categories including full and part time employees, seasonal workers and family.
Table 4.4: Staff employed (including paid and unpaid family members)

<table>
<thead>
<tr>
<th></th>
<th>Contractors Mean (standard deviation), No. Firms</th>
<th>Consultants Mean (standard deviation), No. Firms</th>
<th>t test&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seasonal casuals – field</td>
<td>2.3 (4.8), 12</td>
<td>0.06 (0.24), 1</td>
<td>p=0.006 **</td>
</tr>
<tr>
<td>Part-time – field</td>
<td>1.3 (2.8), 12</td>
<td>0.09 (0.25), 3</td>
<td>p=0.014 **</td>
</tr>
<tr>
<td>Full-time permanent – field</td>
<td>8.7 (12.3), 28</td>
<td>0.55 (1.4), 4</td>
<td>p=0.000 **</td>
</tr>
<tr>
<td>Contractors – field</td>
<td>1.0 (3.6), 6</td>
<td>0.12 (0.49), 1</td>
<td>p=0.16 ns</td>
</tr>
<tr>
<td>Office/clerical/administration – full time</td>
<td>0.8 (1.7), 13</td>
<td>0.19 (0.39), 4</td>
<td>p=0.05 *</td>
</tr>
<tr>
<td>Office/clerical/administration – part time</td>
<td>0.06 (0.24), 4</td>
<td>0.10 (0.16), 4</td>
<td>p=0.33 ns</td>
</tr>
<tr>
<td>Office/clerical/administration – contract/outsourced</td>
<td>0.03 (0.17), 3</td>
<td>0.07 (0.33), 5</td>
<td>p=0.25 ns</td>
</tr>
<tr>
<td>Family members unpaid – office/administration</td>
<td>0.01 (0.05), 3</td>
<td>0.0 (0,0), 0</td>
<td>p=0.10 ns</td>
</tr>
<tr>
<td>Family members paid – office/administration</td>
<td>0.27 (0.37), 16</td>
<td>0.36 (0.58), 7</td>
<td>p=0.34 ns</td>
</tr>
<tr>
<td>Family members unpaid – field</td>
<td>0.03 (0.16), 1</td>
<td>0.0 (0,0), 0</td>
<td>p=0.32 ns</td>
</tr>
<tr>
<td>Family members paid – field</td>
<td>1.1 (0.79), 33</td>
<td>0.66 (0.39), 14</td>
<td>p=0.008 **</td>
</tr>
<tr>
<td>Family management unpaid</td>
<td>0.04 (0.18), 2</td>
<td>0.0 (0,0), 0</td>
<td>p=0.18 ns</td>
</tr>
<tr>
<td>Family management paid</td>
<td>0.62 (1.12), 17</td>
<td>0.06 (0.19), 6</td>
<td>p=0.013 *</td>
</tr>
</tbody>
</table>

Summary:

<table>
<thead>
<tr>
<th></th>
<th>Contractors</th>
<th>Consultants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total EFTE</td>
<td>637.3</td>
<td>36.7</td>
<td>674.0</td>
</tr>
<tr>
<td>Total Non-family EFTE</td>
<td>555.6</td>
<td>19.3</td>
<td>574.9</td>
</tr>
<tr>
<td>Total Family EFTE</td>
<td>81.7</td>
<td>17.4</td>
<td>99.1</td>
</tr>
<tr>
<td>Ratio Non-family/family EFTE</td>
<td>6.80</td>
<td>1.11</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup>: p values from t test for differences in means between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **-significant (p<0.01).
4.5.1.1: Management to staff ratio

The ratio of the number of staff involved in management (including the owner) compared to the total number of staff (management to staff ratio) gives an indication of the management overheads and management capacity of a firm to be involved in planning. The owner-manager was included in the figures quoted in Table 4.5 which shows that while Consultants had smaller firms, they had more human resources in proportion devoted to management than Contractors. This result was unexpected. Economies of scale from larger contractor operations offsetting the basic fixed compliance requirement of operating a business is a possible explanation.

Table 4.5: Staff to management ratio

<table>
<thead>
<tr>
<th></th>
<th>Management Staff</th>
<th>Management Staff / Firm (mean)</th>
<th>Total Staff</th>
<th>No of Staff / Firm</th>
<th>Staff to Management Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors</td>
<td>72.5</td>
<td>1.8</td>
<td>637.2</td>
<td>15.9</td>
<td>8.8</td>
</tr>
<tr>
<td>(n=40)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants</td>
<td>17.3</td>
<td>1.0</td>
<td>36.7</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>(n=17)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5.2: Family involvement in work and planning

Many firms sampled (38 firms, 66% of sample) employed family members in addition to the owner-manager. Family farming businesses reported significant unpaid work from family members (Lewis 1997). In this study, 96% of work by family members was paid. The work undertaken by family members had a higher proportion of administration, management and/or clerical work (46% of family EFTE) compared to the whole sample.
(14% of sample EFTE) indicating a pattern of family members in management positions rather than operational work.

Contractors employed significantly more family members in field and management roles per firm than Consultants (see Table 4.4 and Figure 4.12). The ratio of non-family to family employees seen in Table 4.5 indicates that Contractors employ 6.8 people for every family member employed compared to Consultants who employed only 1.1 people for every family member employed. The differences in these ratios reflect, in part, the significant differences in firm size between Contractors and Consultants.
4.5.2.1: Family involvement in management

Table 4.6 shows that the relative number of family members involved in firm management compared to the total number of staff employed was not different for Contractors and Consultants. Given the different structures of the sub-sets, this suggests that family involved in management actually do contribute to the operation of the firm and questions the widely held anecdotal belief that some family members are found jobs in owner-managed firms for reasons other than added value. More investigation is needed to enable any firm conclusion to be made but this is beyond the scope of this project.

Table 4.6: Family involvement in management

<table>
<thead>
<tr>
<th></th>
<th>Contractors</th>
<th>Consultants</th>
<th>t test(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Staff</td>
<td>71.85</td>
<td>14.85</td>
<td>-</td>
</tr>
<tr>
<td>(number)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Management Staff</td>
<td>35.95</td>
<td>8.58</td>
<td>-</td>
</tr>
<tr>
<td>(number)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio Family Management Staff to Total Management Staff</td>
<td>0.500</td>
<td>0.58</td>
<td>(p=0.091) ns</td>
</tr>
<tr>
<td></td>
<td>n=40</td>
<td>n=17</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\): p values from t test for differences in the proportion between Contractors and Consultants: ns – not significant, * - significant \((p<0.05)\), **- significant \((p<0.01)\).

4.5.2.2: Family involvement in planning

Nearly all owner-managers involved family members in discussions about the business, formulating plans and refining strategies as shown in Figure 4.13. As not every owner-manager had access to all family members listed at the time of interview, the first question was to find out if the family member was available for discussion followed by asking for an estimate on the scale of 1 to 5 of the frequency of discussions (1 - never to 5
- often). Figure 4.13 only reports data from owner-managers who had access to the relation. Spouses/partners appeared to be essential in the planning process to assist owner-managers formulate plans. Brothers/sisters, sons/daughters and parents were included in planning discussions about 50% less often than spouse/partner. “Other relations” category was relatively minor and included in-law relations and a cousin.

Figure 4.13: Frequency of family planning discussions

<table>
<thead>
<tr>
<th>Person</th>
<th>Never</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3</td>
<td>4 5</td>
</tr>
<tr>
<td>Spouse/partner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brother/sister</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son/daughter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other relation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Means; p values for t test for difference between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

4.5.3: Staff employed by Contractors

Table 4.7 shows an analysis of the employment profiles for Capital Intensive Contractors and Labour Intensive Contractors indicating that significant differences existed for the number of seasonal and casual staff employed. The need for Capital Intensive Contractors to keep heavy equipment operating all year as opposed to the dominance of seasonal based work performed by Labour Intensive Contractors operations would explain these results.
Table 4.7: Staff employed by Contractors

<table>
<thead>
<tr>
<th></th>
<th>Labour Intensive Contractors</th>
<th>Capital Intensive Contractors</th>
<th>t test¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean (standard deviation)</td>
<td>Mean (standard deviation)</td>
<td></td>
</tr>
<tr>
<td>Seasonal casuals – field (mean EFTE/firm)</td>
<td>7.6 (7.0)</td>
<td>0.53 (1.8)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>Part-time – field (mean EFTE/firm)</td>
<td>2.7 (4.7)</td>
<td>0.76 (1.5)</td>
<td>p= 0.05 *</td>
</tr>
<tr>
<td>n=16</td>
<td>n=24</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1: p values from t test for differences in the mean between Labour Intensive Contractors and Capital Intensive Contractors: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

4.5.4: Staff employed by Consultants

No statistical difference was found between the numbers of various staff types employed by Full Time Consultants and Later Career Consultants.

4.6: Contracts

The relationship between the owner-manager and the forest owner is through a contract. Owner-managers were asked how they became aware of new contracts and then, in an open-ended question, to describe the process of obtaining new contracts.

4.6.1: Ways to hear of new contracts

Most businesses found out about new contracts by direct invitation; either from a contractor or the forest owner (see Figure 4.14). There were well established relationships between the forest owner and Contractors. Both realised that they need each other so the
understanding that forest owner-managers will contact the contractor to inform him/her of a call for tenders is well established. Word of mouth information is also important. It was possible to have existing contracts extended without tender (very common for two Contractors). Obtaining contracts by making direct approaches and even demonstrations to the forest owner was used extensively by three Contractors. Networks were used extensively to hear about new work being offered.

The low level of use of the internet to get new business shown in Figure 4.14 was likely to be influenced by the low level of computer skills in the sample.

Figure 4.14: Methods of finding about new contracts

<table>
<thead>
<tr>
<th>Method</th>
<th>Never 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invitation - Forest Owner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invitation - Contractor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media advertisement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Word of mouth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Newsletter</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Means; p values for t test for difference between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), ** - significant (p<0.01).
4.6.2: Process of obtaining new contracts

Owner-managers were asked to describe the way new contracts were obtained in an open-ended question. The themes that emerged and supporting notes are shown in Table 4.8.

Table 4.8: Process for obtaining new contracts

<table>
<thead>
<tr>
<th>Question 1.11: “Describe how contracts were usually won or awarded” (n= 57)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Direct offer from owner including price</td>
<td>25</td>
</tr>
<tr>
<td>b) Competitive tender based on price</td>
<td>23</td>
</tr>
<tr>
<td>c) Through negotiation of price and service with owner</td>
<td>14</td>
</tr>
<tr>
<td>d) Continuation or extension of a long term contract</td>
<td>4</td>
</tr>
<tr>
<td>e) Obtained via an established partnership agreement</td>
<td>2</td>
</tr>
</tbody>
</table>

Notes and comments

i) Number of responses exceeds 57 since some owner-managers nominated two or more processes

ii) The process used seems dependent on the urgency of the work required and the relationship between the owner-manager and the forest owner.

iii) Numerous owner-managers commented on the highly competitive business environment based of $/unit of production. Quality and reliability seem only considered after contract has been called.

iii) Mostly 5 year contracts with CPI increase with option of a further 4 years

The approaches reported differed significantly between Contractors and Consultants as shown in Table 4.9. Consultants were involved in significantly higher direct offer invitations than contractors. Consultants usually have a much wider geographical base and specialise in the services offered and direct invitation is a commonly used process.

Contractors and Consultants were more likely to be involved in competitive tenders while
Contractors were more likely to be negotiating contracts based on a work rate such as $ per ton or $ per ha. Four Contractors (10% of Contractors) had long term contracts with CPI increases and renewal options. This type of contract is unusual and not expected since many contractors comment on the lack of security in the sector with much of the work based on short term contracts.

Table 4.9: Methods to obtain new contracts

<table>
<thead>
<tr>
<th>Method</th>
<th>Contractors Number (percentage of sub-set)</th>
<th>Consultants Number (percentage of sub-set)</th>
<th>t test$ \text{value}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain Contract by Direct Offer</td>
<td>13 (33%)</td>
<td>12 (67%)</td>
<td>p= 0.007 **</td>
</tr>
<tr>
<td>Competitive Tender</td>
<td>19 (48%)</td>
<td>4 (24%)</td>
<td>p= 0.09 ns</td>
</tr>
<tr>
<td>Partnership Arrangements</td>
<td>0</td>
<td>2 (12%)</td>
<td>p= 0.03*</td>
</tr>
<tr>
<td>Negotiated Quotes</td>
<td>14 (35%)</td>
<td>0</td>
<td>p= 0.004 **</td>
</tr>
<tr>
<td>Long-term Contract</td>
<td>4 (10%)</td>
<td>0</td>
<td>p= 0.18 ns</td>
</tr>
</tbody>
</table>

n=40

n=17

1: p values from t test for differences in the proportion between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

4.7: Chapter Summary

The sampling technique has obtained a good distribution of sampling sites, vocational activity and firm size. Two sub-sets in the sample have been identified: Contractors and Consultants. Contractors rely on labour or machinery to provide operational services to the forest owner. Consultants deliver high cognitive advice and investigations to management. Analysis reveals that many of the characteristics investigated in this study are statistically different when split between contractors and consultants.
Further analysis has shown that the sample is not uniform and can be divided into two sub-sets that can be partitioned as follows:

1) Contractors:
   - Heavy Equipment Contractors
   - Labour Intensive Contractor

2) Consultants:
   - Full Time Consultants
   - Later Career Consultants

Employment profiles confirm the validity of the splitting of the Contractors into two sub-groups. Consultants can be split into two sub-groups based on age. This split will not be further investigated since no statistical difference can be found in employment profile and annual turnover details.

The analysis in the next chapter will report on investigations into demographics, business characteristics, planning history and planning characteristics of the owner-managers interviewed. Any significant differences by sub-set or partition will be highlighted.
Chapter 5: Owner-manager Demographics

5.1: Introduction

This chapter aims to provide a picture of the demographic variables of the owner-managers who participated in the study. Personal details such as age, years of experience, education background, skill levels and skill acquisition processes are covered. These details were included in the study as it was possible the age, education background and experience of the owner-manager will have an influence on the way they approached planning.

Differences in sample between Consultants and Contractors and between sub-sets are selectively highlighted whenever they arise.

5.2: Age

The age characteristics for Consultants has already been discussed in Section 4.4 and described in Table 4.3 and Figure 4.11 since it was the primary variable used to separate Consultants into two sub-sets. The total sample mean and median was 44.5 years. Table 5.1 shows the mean ages for the partitions of Contractors and Consultants. There was no difference between the mean age of Labour Intensive Contractors and Capital Intensive Contractors.
Table 5.1: Owner age comparison: Contractors and Consultants

<table>
<thead>
<tr>
<th></th>
<th>Contractors</th>
<th>Consultants</th>
<th>( \text{t test}^1 )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Years (Standard Deviation)</td>
<td>Years (Standard Deviation)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>42.3 (9.93)</td>
<td>50.0 (11.2)</td>
<td>( p=0.009 ) **</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time Consultants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n=10)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>41.5 (4.74)</td>
<td>62.1 (2.67)</td>
<td>( p=0.000 ) **</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Intensive Contractors</td>
<td></td>
<td>Capital Intensive Contractors</td>
<td></td>
</tr>
<tr>
<td>(n=16)</td>
<td></td>
<td>(n=24)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>42.8 (9.5)</td>
<td>42.1 (10.4)</td>
<td>( p=0.06 ) ns</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n=40</td>
<td></td>
<td>n=17</td>
<td></td>
</tr>
</tbody>
</table>

\( ^1 \): \( p \) values from \( t \) test for differences in the means: ns – not significant, * - significant (\( p< 0.05 \)), ** significant (\( p<0.01 \)).

The distribution of the age of Contractors and Consultants interviewed as a percentage of the total sample (\( n=57 \)) has been graphed in Figure 5.1. While the age distribution of Contractors approximates a normal distribution shape, Consultants in the survey had a definite bi-modal type distribution. The average age of the owner-managers interviewed was relatively old (44.5 years). This is not surprising as owner-managers need a combination of financial backing, connections, leadership, confidence and experience to start-up a business.
5.3: Gender

Forestry is considered a male dominated industry. This was reflected in the sample which had a distinct male bias. No female Contractors could be found for an interview. One contractor attended the interview with his wife who was a partner in the truck they owned and the book keeper.

Female Consultants in the forestry sector were also difficult to find. Only 2 people interviewed were female (3.5% of sample, 12% of Consultants). Both were university qualified, full time Consultants working alone. One was a specialist fire training and advisory service specialist. The other was a field services consultant specialising in forest inventory.
5.4: Experience

In this study, experience was measured by the number of years of relevant experience working as an employee or owner or studying in a related area.

5.4.1: Technical experience

Participants were asked the total number of years of relevant technical experience they had. There was considerable technical experience in the sample as shown in Table 5.2. Contractors had fewer years of technical experience than Consultants which may be partly a function of the lower mean age of Contractors as was shown in Table 5.1. While within the sub-sets, there was no difference between the Contractor sub-groups, the Consultant sub-groups were significantly different as can be seen in Table 5.3. The higher number of years of technical experience for Later Career Consultants is very likely to be a direct effect of the higher mean age of that sub-set.

<table>
<thead>
<tr>
<th>Table 5.2: Years experience – technical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractors (n=40)</strong></td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>18.9</td>
</tr>
<tr>
<td><strong>Consultants (n=17)</strong></td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>27.7</td>
</tr>
<tr>
<td><strong>t-test</strong></td>
</tr>
<tr>
<td>p= 0.008 **</td>
</tr>
</tbody>
</table>

1: p values from t test for differences in the mean between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).
5.4.2: Management experience

Working as a manager usually occurs later in a person’s career and hence the mean number of years of management experience is smaller than the mean years of technical experience as shown in Table 5.4. There was no difference in the number of years of management experience had by Contractors and Consultants. There was a difference between Full Time Consultants and Later Career Consultants as can be seen in Table 5.5.

Table 5.3: Years experience – technical: partitions

|                      | Mean | Std. Dev. | Median | Range | Mean | Std. Dev. | Median | Range | t-test
|----------------------|------|-----------|--------|-------|------|-----------|--------|-------|-------
| **Full Time Consultants (n=10)** |      |           |        |       |      |           |        |       |       |
| Technical Experience (Years) | 18.1 | 6.67      | 18.5   | 6 to 30 | 25.6 | 13.5      | 44.0   | 13 to 54 | p=0.000 ** |
| **Labour Intensive Contractors (n=16)** |      |           |        |       |      |           |        |       |       |
| Technical Experience (Years) | 16.3 | 8.07      | 17.5   | 3 to 30 | 20.1 | 10.9      | 19.0   | 3 to 40 | p= 0.26 ns |
| **Capital Intensive Contractors (n=24)** |      |           |        |       |      |           |        |       |       |
| Technical Experience (Years) |       |           |        |       |      |           |        |       |       |

1: p values from t test for differences in the mean: ns – not significant, * - significant (p<.05), **- significant (p<0.01).

Table 5.4: Years experience – management

|                      | Mean | Std. Dev. | Median | Range | Mean | Std. Dev. | Median | Range | t-test
|----------------------|------|-----------|--------|-------|------|-----------|--------|-------|-------
| **Contractors (n=40)** |      |           |        |       |      |           |        |       |       |
| Management Experience (Years) | 14.0 | 9.30      | 12.0   | 3 to 40 | 12.2 | 9.6       | 7.0    | 1 to 34 | p= 0.86 ns |
| **Consultants (n=17)** |      |           |        |       |      |           |        |       |       |
| Management Experience (Years) |       |           |        |       |      |           |        |       |       |

1: p values from t test for differences in the mean between Contractors and Consultants: ns – not significant, * - significant (p<.05), **- significant (p<0.01).
Table 5.5: Years experience – management – Consultants

|                      | Mean | Std. Dev. | Median | Range | Mean | Std. Dev. | Median | Range | t-test
|----------------------|------|-----------|--------|-------|------|-----------|--------|-------|-------
| **Full Time Consultants (n=10)** |      |           |        |       | **Later Years Consultants (n=7)** |     |        |       |       |       |
| Management Experience (Years) | 6.6  | 5.13      | 5.5    | 1 to 19 | 11.2 | 9.10      | 18.0   | 5 to 34 | **p= 0.001** **
| Labour Intensive Contractors (n=16) |          |           |        |       | Capital Intensive Contractors (n=24) |     |        |       |       |       |
| Management Experience (Years) | 12.5 | 7.49      | 12     | 3 to 30 | 15.1 | 10.32     | 12     | 3 to 40 | **p= 0.50 ns** |

1: p values from t test for differences in the mean: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

### 5.5: Education and Training

#### 5.5.1: Formal education

The mean level of formal education achieved was expected to be different between Contractors and Consultants. Most Consultants were expected to have completed tertiary studies as a prerequisite to entry into the profession.

A qualification level tally for Contractors and Consultants was constructed based on a score as follows:

- 1: completing Year 12 at school,
- 2: TAFE or technical qualification, and
- 3: a university degree or above.

The results of the analysis are shown in Table 5.6. The mean education level for Contractors and Consultants was significantly different (p <0.01). Incomplete, failed, or courses unrelated to forestry or management were not recognised in this study. Owner Profile 3 describes a later years Consultant with a very high education level that is a world recognised authority in his field.
Owner Profile 3: Later Years Consultant

**Code:** E1
Later year Consultant

**Operations:** E1 provides high level forest policy and strategic advice to Government, semi-government and private organisations around the world.

**Contracts:** E1 is retired but will accept invitations to contribute to projects and activities in areas he feels he adds value and is respected. He has high level access to government in a number of developing countries. On occasions, E1 has also donated his time and paid his own expenses to assist developing countries to improve forestry management practices.

**Assets:** His major assets are his brain and his experience. Building on a forestry degree and a doctorate in Forest Science, E1 has a lifetime of international experience. While aged 84 years old and in failing health, his mind is still sharp and he is capable of making a major contribution to relevant projects. E1 is not computer literate at all. He avoids new technology. He cannot operate and does not own a computer or a mobile phone.

**Financials:** His annual income is very volatile. Some years E1 will do quite a lot of work and earn a reasonable salary. Other years he will not be approached to do work and he will need to rely on his superannuation for his living expenses.

**Staff:** No staff employed. An accountant helps with his tax returns.

**Planning:** E1 does not plan. He only responds to invitations to join consultancy projects.

**Future Plans:** E1 immediately admits that, at his age, any plans beyond the next day may be over ambitious. He does not have any long term plans.
Table 5.6: Formal education level tally

<table>
<thead>
<tr>
<th></th>
<th>Contractors (n=40)</th>
<th>Consultants (n=17)</th>
<th>t-test¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>24</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Higher Education</td>
<td>5</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Mean (Standard Deviation)</td>
<td>1.6 (0.77)</td>
<td>2.8 (0.56)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>% of Sub-set with Higher Education</td>
<td>21%</td>
<td>88%</td>
<td></td>
</tr>
</tbody>
</table>

¹: p values from t test for differences in the mean between Contractors and Consultants:
ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

For those owner-managers who had received a university education, the most common first degree in the sample was in forest science. Other degrees completed included engineering, business and commerce. A small number of people had also completed higher or second degrees, most commonly a Masters of Business Administration.

Comparison with the results from the study of Walker and Brown (2004, p.583) that reported that 50% of their sample was tertiary qualified reveals that this sample with 35% is less. As can be seen in Table 5.6, splitting the sample reveals that Contractors were significantly below that figure while Consultants were considerably higher.

5.5.2: Partial and ad hoc learning

Open-ended questions allowed participants the opportunity to discuss skills owner-managers acquired outside of formal education. Further, the interviews included adequate time for unstructured talk between the interviewer and owner-manager. The themes were
noted and those relating to skills are presented in Table 5.7 which will be discussed in the next sections.

### Table 5.7: Comments relating to skills made during interviews

<table>
<thead>
<tr>
<th>Comments by Owner-managers</th>
<th>Number making the comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The benefit of professional associations, conferences and field days for keeping</td>
<td>23</td>
</tr>
<tr>
<td>• Desires to improve communication skills or attend a communication course</td>
<td>17</td>
</tr>
<tr>
<td>• Recognised the need to improve computer skills</td>
<td>11</td>
</tr>
<tr>
<td>• Lack of literacy skills a problem</td>
<td>9</td>
</tr>
<tr>
<td>• Lack of communication skills a problem</td>
<td>6</td>
</tr>
<tr>
<td>• Lack of business management skills a problem</td>
<td>6</td>
</tr>
</tbody>
</table>

5.5.2.1: Technical skills

In addition to formal courses, all Contractors reported they had acquired technical knowledge from on-the-job experience usually as an employee of a firm working in a related field. Similarly, all Consultants had received additional training on the technical aspects of their activities from short courses and/or on-the-job training during a period of relevant employment prior to starting their own business. The benefit of membership and involvement in professional associations, conferences and field days for keeping up-to-date with developments in technology, relevant legislation and developments was regularly mentioned by those owner-managers who were members of a relevant professional association.
The time as an employee prior to establishing their own business was considered essential by all owner-managers. Further, no owner-manager discussed a lack of technical background or understanding needed for the work undertaken.

5.5.2.2: Management and business skills

Owner-managers were asked to discuss how the management skills needed to run a small business were acquired. The highest formal education or training in business attended is shown in Figure 5.2. Only 3 owner-managers had received any business management training as part of a university course. A further eight owner-managers had attended a business short course of at least one day duration. Over 70% of the sample had not attended any business management training at all. While some owner-managers commented on their lack of business management skills, most did not recognise any deficiencies in their knowledge about how to run a business despite never having had any formal business training. The low level of accredited management training received by the sample is of concern given the complexity and size of some of the firms managed.
5.5.3: Literacy, numeracy and computer skills

Literacy, numeracy and computer skill levels of owner-managers were assessed on the basis of a self-assessment on a scale of 1 (very poor) to 5 (very good). These scales are constructs and subject to unacceptable degrees of variation if the results were based only on a self-assessment by the owner-manager. During the interview, descriptions of each level were provided by the researcher and the levels nominated by the owner-manager were compared against benchmarks to ensure consistency across the sample. Figure 5.3 compares the levels of numeracy, literacy and computer literacy for Contractors and Consultants.
The higher levels of literacy and computer skills reported by Consultants reflected their greater exposure to education. Contractors reported that higher levels of numeracy were required for survival in business particularly to work out quotations and tender prices. The higher levels of numeracy skills reported reflected a basic skill set required by an owner-manager to operate successfully. It is possible there is self-selection against new owner-managers who have poor numeracy and who are unlikely, therefore, to survive in business for any length of time.

No differences between Capital Intensive and Labour Intensive Contractors or Full Time and Later Year Consultants emerged for literacy, numeracy and computer literacy.

### 5.5.4: Responses to open-ended questions about skill acquisition

A number of open-ended questions concerning the process of skill acquisition by owner-managers were asked during the interview. The results are summarised in Table 5.6.
Table 5.8: Responses to open-ended questions about skill acquisition

<table>
<thead>
<tr>
<th>Question 6.9: “Where did you pick up the technical skills required?”</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Themes:</strong></td>
<td></td>
</tr>
<tr>
<td>a) On the job</td>
<td>53</td>
</tr>
<tr>
<td>b) TAFE award courses</td>
<td>17</td>
</tr>
<tr>
<td>c) University</td>
<td>12</td>
</tr>
<tr>
<td>d) From previous employment</td>
<td>6</td>
</tr>
<tr>
<td>e) TAFE and other short courses</td>
<td>6</td>
</tr>
<tr>
<td>f) Professional friends and networks</td>
<td>5</td>
</tr>
<tr>
<td>g) Father and other family</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question 6.10: “Where did you pick up the management skills required?”</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Themes:</strong></td>
<td></td>
</tr>
<tr>
<td>a) On the job</td>
<td>54</td>
</tr>
<tr>
<td>b) Management courses</td>
<td>13</td>
</tr>
<tr>
<td>c) Previous employment</td>
<td>6</td>
</tr>
<tr>
<td>d) Accountant, management mentor and business advisor</td>
<td>6</td>
</tr>
<tr>
<td>e) Self-taught</td>
<td>4</td>
</tr>
<tr>
<td>f) University</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes and comments

i) Number of responses exceeds 57 since some owner-managers nominated two or more processes
ii) Compared with data presented in Section 5.5.1 and Table 5.6. The higher figures presented in Table 5.6 show those with post-secondary qualifications that were not relevant to their vocational skills.

On-the-job experience and learning was expected to be the dominant response as very few owner-managers would say that they have not learnt from their experiences.

### 5.6: Hurdles to Business Establishment

Owner-managers reported problems they encountered when establishing and trying to expand their business. The four hurdles to business commencements and expansion mentioned by 6 or more owner-managers (>10% of sample) during interviews were:
• technical understanding necessary to do the tasks contracted,
• establishing the connections and networks to obtain and deliver contracts,
• employing the skilled staff needed to do the work, and
• understanding and conforming to industry compliance requirements, such as OH&S, quality systems and certification.

Owner-managers were quite clear about the importance of technical understanding, networks and staff in determining business success.

5.7: Owner’s Involvement in Operation and Management

All operations in the sample turning over less than $5,000,000 per year relied on operational input from the owner. As would be expected, businesses with turnovers greater than $5,000,000 per year required the owner-manager to spend most of his/her time on management. The field based nature of forestry operations made it difficult to combine office-based management duties and supervision of field activities that were often many hours drive in isolated areas usually without phone contact. Most owner-managers reported undertaking some operational activities in the previous year and reported either being pulled away from operational duties by management or needing to employ clerical staff or managers to work in the office to let the owner-manager continue to spend time in the field as the operations grew bigger.

During discussions many owner-managers reported being drawn between a desire to keep
in contact with the field and production activities but recognising the importance of management activities. Owner-managers were often placed in a position of choosing between doing management tasks such as tenders, planning and budgeting in the office or going to the forest to manage or oversee field operations. Many of these owner-managers were attracted to their profession by the opportunity to work in the field. It is what they have been trained in, have experience in and love. There is a strong desire to do operational work (or “real work” as one owner-manager described it) in preference to being enclosed in the office doing administration and management.

5.8: Chapter Summary

The male dominated sample reflects a male dominated industry. The division into two sub-sets was confirmed when comparing the statistics for age, technical experience, education level, literacy skills and computer skills. Maths skills were the same for Consultants and Contractors despite Consultants having a significantly higher education level. Consultants had a significantly higher level of computer literacy and literacy than Contractors.

There was no difference between the sub-sets for management training which was low.

Owner-managers did not highlight any concerns with their levels of technical skills. The benefits of membership of a relevant professional association were often highlighted.
Owner-managers identified four hurdles necessary for establishing and expanding a business in the sector. Business management skills were not included in the list despite most owner-managers having little or no management training. They often had to decide whether to work in the office doing unfamiliar activities requiring literacy and computing skills they did not have, or to go into the field to something they enjoyed and had the training and experience needed to be successful.

The next chapter focuses on the way the owner-managers planned their business activities.
Chapter 6: Planning Profile and Vision

6.1: Introduction

This chapter reports the results of the investigation of the planning history of the owner-managers sampled in the survey. Three levels of planning were recognised in this project:

1. mental plans,
2. partially documented plans and
3. formally documented plans.

Planning was previously defined as “thinking about future directions, initiatives, threats and opportunities” while formally documented plans were defined as “recognised forms of planning documentation reporting the thinking about the future directions, initiatives, threats and opportunities including budgets, strategic, operational and business plans and proposals”. Mental plans covered plans that were not written down at all. Partial plans were defined as working documents used for planning that were not compiled into a formal document. Participants were informed early in the interview that there was no correct approach to planning by small business. They were told that this project was interested in the planning that they did without passing judgement as to its adequacy or appropriateness. Owner-managers were encouraged to be open and report their practices.

The details of owner-managers’ thinking about planning is discussed, followed by an investigation into aspects of communication about planning with stakeholders. Differences in sample between Consultants and Contractors and between sub-sets within
these two groups are highlighted selectively whenever they arise.

6.2: Planning in the last 3 years

Based on the above definition, 56 of the 57 owner-managers interviewed reported doing planning in the last three years.

6.2.1: Outlying data

One owner-manager reported not having undertaken any planning in the last three years (Interview code: B5). Working alone in the forest, he provided forest inventory assessment services to forest owner-managers. He did not employ any staff but contracted the services of an accountant. His office was located in a room at his home and the most expensive piece of equipment used was a 4 wheel drive vehicle to get access to the forest which was also used for domestic purposes. As the interview progressed, the picture developed of a person who worked by himself, was happy with his present circumstances, was assured of as much work as he wanted and was not interested in change or expansion. He gave the impression of a rather eccentric person who preferred to work alone without employees.

It is considered that this person did think about the future which he chose not to report. Nearly every person in business thinks about planning for retirement or a change in work context. However, based on this respondent’s responses, he was not able to contribute any details about planning and will not be considered in further analyses.
6.3: Effort Devoted to Planning

Participants were asked to rate the amount of effort they had devoted to planning in the last three years. To enable comparison of the sub-sets of different sizes, the frequency counts for each effort rating was converted to a percentage of the sample and graphically shown in Figure 6.1. In order to improve response consistency across between respondents, the researcher provided advice about effort required in each level prior to the respondent nominating planning effort.

No statistical difference was found between Contractors and Consultants for the rating of planning effort as can be seen from Table 6.1 with the exception of a measure of skewness of the sample around the mean. This value shows there were different
distributions as can be seen in Figure 6.1. Contractors have a negative skewness values indicating a bias for values below the mean while Consultants have a positive skew indicating a bias for values greater than the mean. This can be confirmed visually in Figure 6.1. Hence, as a sample, there is a trend for Contractors to put less effort into planning than Consultants.

Table 6.1: Effort devoted to planning

<table>
<thead>
<tr>
<th></th>
<th>Contractors</th>
<th>Consultants</th>
<th>t test$^1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score (mean)</td>
<td>3.00</td>
<td>3.29</td>
<td>p= 0.22 ns</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.17</td>
<td>1.10</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>3.00</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Skewness</td>
<td>0.42</td>
<td>-0.35</td>
<td></td>
</tr>
<tr>
<td>n=39</td>
<td>n=17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1: p value from t test for differences in the mean between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

6.4: Vision time frame

Table 6.2 and Figure 6.2 show the planning time frames for Contractors and Consultants. A chi-square statistic was used to investigate whether there was any difference between the planning time frames used by Consultants and Contractors. The chi-square results indicated that no significant difference existed between Contractors and Consultants for any of the time frames in Table 6.2.
Table 6.2: Planning time frames

| Time Frame | Period | Contractors | | Consultants | | Chi-square¹ |
|------------|--------|-------------|--------|-------------|--------|
|            | Time Frame (years) | Number | % | Number | % |          |
| Short      | 0-1    | 39         | 100   | 17   | 100   | NA      |
| Medium     | 1-3    | 37         | 95     | 16   | 94     | p= 0.11 ns |
| Long       | 3-5    | 26         | 67     | 12   | 71     | p= 0.28 ns |
| Very long  | 5-10   | 16         | 41     | 5    | 29     | p=0.84 ns |
|            | n=39   | n=17       |        |        |        |          |

¹: p value from chi-square test for differences in the proportion between contractors and consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).
It was expected that Contractors might plan on longer time frames than Consultants since many Consultants were older and because Contractors needed to plan equipment financing and major asset management. The data showed that Contractors and Consultants planned with the same time frame distribution.

### 6.5: Owner’s Vision for the Firm

In the interview, owner-managers were asked to describe their vision for their firm over the next 5 years and beyond. All owner-managers had a definite idea where their business was heading and where they would like it to be in 5 years. Some had given thought to strategy and tactics to get there while others had not.

After describing their vision, each participant was asked to rank the strength of their vision on a 5 point scale. Figure 6.3 shows that there was no statistical difference found between Contractors and Consultants.

![Figure 6.3: Ranking of the strength of owner’s vision](image)

**Means.**

$p$ value from $t$ test for differences in means between Contractors and Consultants: ns – not significant, * - significant ($p< 0.05$), **- significant ($p<0.01$).
The interview included asking the owner-managers to describe the 5 year plans for their businesses allowing the researcher to confirm the ranking for vision strength. Since almost all owner-managers in the sample, both formal planners and non-planners, described very strong visions for their firms, it would appear that planning is taking place but is not being written down.

6.6: Discussions about plans

Almost all owner-managers discussed their plans with someone. Only 2 (4%) of owner-managers interviewed reported planning completely by themselves without consultation.

6.6.1: Topics discussed

The survey nominated 13 planning topics that owner-managers may have discussed with others in the last three years (with the option of suggesting more if necessary) with the results shown in Figure 6.4.

The responses were similar for Contractors and Consultants with the exception of discussions about lease or purchase of plant or equipment. The study confirmed that Contractors discussed this topic more than Consultants because Consultants did not require heavy plant or equipment.

The topic discussed most frequently was the vision for the firm in five or more years. It would appear that owner-managers liked to discuss their ideas for the future for their firm with other people. This result is not fully supported by the results reported in Section 6.4.
where owner-managers were questioned about planning time frames with only 41% of Contractors and 29% of Consultants reported planning in the five to ten year time frame. Possibly the over-selection of the discussion frequency topic response was because it was the only one in the selection that nominated a future vision.

![Figure 6.4: Frequency of topics discussed](image)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Frequency of topics discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Never</td>
</tr>
<tr>
<td>Company goals</td>
<td>1  2  3  4  5</td>
</tr>
<tr>
<td>Roles for family members</td>
<td>2.8</td>
</tr>
<tr>
<td>Vision in 5+ years</td>
<td>2.8</td>
</tr>
<tr>
<td>Ways to achieve a vision</td>
<td>2.8</td>
</tr>
<tr>
<td>Purchase/lease – equipment</td>
<td>1.9</td>
</tr>
<tr>
<td>Purchase/lease of office or yard</td>
<td>2.5</td>
</tr>
<tr>
<td>Financing operations</td>
<td>2.8</td>
</tr>
<tr>
<td>New business activity</td>
<td>1.9</td>
</tr>
<tr>
<td>New staff</td>
<td>1.8</td>
</tr>
<tr>
<td>Threats to your business</td>
<td>1.8</td>
</tr>
<tr>
<td>Expansion existing business</td>
<td>2.4</td>
</tr>
<tr>
<td>Training needs</td>
<td>2.5</td>
</tr>
<tr>
<td>Changing laws or regulations</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>2.4</td>
</tr>
</tbody>
</table>

= Contractors (n= 39), ***** = Consultants (n= 17)

Means.

p value from t test for differences in the mean between contractors and consultants: ns – not significant, * - significant (p< 0.05), ** - significant (p<0.01).
The least frequently discussed topic, the purchase or lease of a depot, was low since a number of owner-managers surveyed already had suitable depots and so did not consider any change.

Figure 6.5: Topics discussed as a % of Sub-set

An alternative way to view planning topics discussed is to examine the percentage of the sub-set that discusses each topic at frequency level 2 or more as shown in Figure 6.5. This allows differences between Contractors and Consultants to be highlighted.
The overall trend in Figure 6.5 suggests that a higher percentage of Contractors have discussions than Contractors. Contractors are more likely than Consultants to consider:

- changes to laws and regulations,
- employing more staff,
- threats to their business,
- purchase of a yard, depot or office,
- purchase of equipment,
- starting a new business activity, and
- roles for family members.

The topics discussed by Contractors are those most often reported as concerns in discussions. Contractors worked in a much more competitive market place than Consultants. Many Contractors offered services that were duplicated by other firms in the locality. There were numerous threats to their business from natural disasters, competition, forest owner-managers, changes to economic conditions and legislative compliance. Skilled staff were hard to find and retain. Those trying to expand often saw the purchase of a depot as a major step of faith in the future of their business needing years of planning. Owner-managers reported that finding suitable roles for family members was a great concern to many owner-managers living in regional areas. Many wished to expand their business to enable it to support a son or daughter in an attempt to keep them living near by.

6.5.2: People involved in discussions

Owner-managers were provided with a list of family and non-family members and asked
to rate how often they discussed planning with that person provided such a relation/person was present in their lives. The results for Contractors and Consultants are shown in Figure 6.6.

Figure 6.6: Frequency of planning discussions with nominated people

<table>
<thead>
<tr>
<th>Relation/Person</th>
<th>Frequency of Planning Discussions</th>
<th>Never</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spouse/partner</td>
<td></td>
<td>Never</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>p= 0.50 ns</td>
</tr>
<tr>
<td>Brother/sister</td>
<td></td>
<td>Never</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>p= 0.035 *</td>
</tr>
<tr>
<td>Son/daughter</td>
<td></td>
<td>Never</td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.4</td>
<td>p= 0.018 *</td>
</tr>
<tr>
<td>Father/mother</td>
<td></td>
<td>Never</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>p= 0.47 ns</td>
</tr>
<tr>
<td>Other family</td>
<td></td>
<td>Never</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
<td>0.6</td>
<td>p= 0.82 ns</td>
</tr>
<tr>
<td>Accountant</td>
<td></td>
<td>Never</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>p= 0.41 ns</td>
</tr>
<tr>
<td>Business partner</td>
<td></td>
<td>Never</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>p= 0.72 ns</td>
</tr>
<tr>
<td>Financial adviser</td>
<td></td>
<td>Never</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>p= 0.35 ns</td>
</tr>
<tr>
<td>Business advisor</td>
<td></td>
<td>Never</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>p= 0.57 ns</td>
</tr>
<tr>
<td>Staff</td>
<td></td>
<td>Never</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>p= 0.06 ns</td>
</tr>
<tr>
<td>Friends</td>
<td></td>
<td>Never</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>p= 0.56 ns</td>
</tr>
<tr>
<td>Other non-family</td>
<td></td>
<td>Never</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>p= 0.56 ns</td>
</tr>
</tbody>
</table>

Means, p value from t test for differences in the mean between contractors and consultants. ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

The only differences identified between Contractors and Consultants for frequency of discussions were for discussions with fathers/mothers and brothers/sisters. Consultants
had significantly less frequent discussions with their fathers and/or mothers and their
brother and/or sisters than did Contractors possibly reflecting the higher mean age of
Consultants.

Business and financial advisers were not extensively consulted. Only 22 people in the
whole sample (39%) made use of the services of a financial or business advisor. Of these
15 people (27% of sample) consulted a financial advisor only for superannuation advice.
A business advisor was only used by 9 firms (16% of sample).

Accountants appeared to be necessary to do business for the sample. Only one firm did
not retain the services of an accountant. This was a very small consultancy that provided
unusual responses to many sections of the survey. Of the remaining 55 firms, 98% (54
firms) included their accountant in discussions when considering future directions for the
firm. The mean frequency for accountant discussions was very similar to the mean
frequency for spouse/partner discussions indicating that owner-managers discussed their
plans with the spouses/partners about as often as they did with their accountant. There
was no difference between the frequency of discussions for partner/spouses or
accountants between Contractors or Consultants.

Other people in discussions about plans by owner-managers included lawyers, other
contractors and, most commonly, professional associations. Those owner-managers who
were members of relevant professional associations commented on how valuable the
association was to their business by acting as important and unbiased providers of
Chapter 6: Planning Profile and Vision

background information, networking opportunities, indications of industry trends and changes in technology and legislation. Advice provided about changes in Organisational Health and Safety was seen as particularly valuable. The use of professional associations for networking was also mentioned by over 10% of owner-managers.

It should be noted that the survey only investigated the frequency of discussions about planning with family and associates. The quality of the discussions was not investigated since the measure would be a subjective parameter that would have been impossible to assess objectively. The information would be useful in that it would combine with the discussion frequency to give a true indication of the contribution of a person to the business. Assessing the depth and value of discussions with a specific person in assisting planning by the owner-manager is a complex and imprecise parameter that would be very difficult to objectively evaluate with precision in a large sample so it was not included in this study.

6.6: Influence of Firm Size on Planning Effort

The effort devoted to planning based on a scale of 1 (None) to 5 (Large amounts) was tested for a correlation with firm size as indicated by number of staff (including family and sub-contractors) and annual turnover. The results are shown in Table 6.3.
Table 6.3 Correlation: planning effort and firm size

<table>
<thead>
<tr>
<th>Planning Effort (n=56)</th>
<th>Number of Staff (including family and contractors)</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Significance</td>
<td>.211 ns</td>
<td>.206 ns</td>
</tr>
</tbody>
</table>

Table 6.3 indicates that the firm size appears to be not related to the amount of effort allocated to planning by the owner-manager.

6.7: Chapter Summary

This chapter examined the planning history of the owner-managers sampled. All except one owner-manager reported undertaking planning of some description in the last three years focusing on short and medium time frame. A smaller number of owner-managers consider the long and very long term.

Plans were often discussed with others, most commonly staff, spouse or partner and the firm’s accountant. Contractors consulted family (parents, brother, sister) more often than Consultants but discussed different topics. There appeared to be no correlation between firm size, as measured by the number of staff employed or annual turnover, and effort devoted to planning.

When requested, nearly all owner-managers could immediately provide a detailed description of where they would like their business to be in 5 years and the methods to be
used to get there. Hence planning was being undertaken despite many not writing it down. There was no difference found for the strength of vision between owner-managers who write plans and owner-managers who do not. There were no differences found in the strength of vision between Contractors and Consultants.

The next chapter reviews the planning characteristics of owner-managers who take their planning beyond thinking and discussions to preparing formal documentation.
Chapter 7: Planning Documentation

7.1: Introduction

Some owner-managers took their planning beyond the thinking and discussion stage to prepare working documents and/or some planning documents. A smaller number of owner-managers developed formal plans. This chapter presents the data gathered concerning those who documented their planning in the last three years. To ensure all documentation was included, two levels of writing were investigated:

- written or working plans of any form (called partial planning), and
- formal documents such as business plans, budgets and strategic plans.

The reasons for developing written plans were investigated, and the people who were most involved and the uses made of the documentation produced are reported. Differences in the sample between Consultants and Contractors and between sub-sets within these two groups are selectively highlighted whenever they arise.

7.2: Partial Documentation Prepared

Table 7.1 shows the number of respondents (22 in total) who documented any of their planning.
Table 7.1: Number of owner-managers that prepared some documentation

<table>
<thead>
<tr>
<th>Number in sample that prepared partial documentation</th>
<th>Contractors</th>
<th>Consultants</th>
<th>t test¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Owner-managers</td>
<td>13</td>
<td>9</td>
<td>p= 0.056 ns</td>
</tr>
<tr>
<td>Percentage of sub-sample</td>
<td>33%</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>n=39</td>
<td>n=17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹: p value from t test for differences in proportions between contractors and consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

Figure 7.1 shows the planning topics that owner-managers had written about as a percentage of their sub-set. The positive responses for the topics were totalled and compared between Contractors and Consultants as shown in Table 7.2.

![Figure 7.1: Topics Documented as % of Total Sub-set](image)
Closer examination of Figure 7.1 and Table 7.2 shows that Consultants planning documentation covers more topics than planning documentation written by Contractors. This is hardly surprising given the much higher literacy and computer literacy levels for Consultants.

<table>
<thead>
<tr>
<th>Number of topics included in plans</th>
<th>Contractors Mean (standard deviation)</th>
<th>Consultants Mean (standard deviation)</th>
<th>t test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.91 (2.47)</td>
<td>6.13 (2.2)</td>
<td>p=0.011 *</td>
</tr>
<tr>
<td>n=40</td>
<td></td>
<td>n=17</td>
<td></td>
</tr>
</tbody>
</table>

*p value from t test for differences in means between contractors and consultants: ns – not significant, * - significant (p<0.05), **- significant (p<0.01).

It is of concern that only nine or 53% of Consultants and 12 or 31% of Contractors in the total sample prepared an annual budget. This equates to only 21 of the 57 (37%) of owner-managers that participated in the survey. Figure 7.1 also shows:

- Consultants included more conventional aspects of a business plans (such as mission statements, SWOT Analysis, competitor analysis, financial and growth targets) than Contractors.
- Contractors more often included sections addressing risk management, quality assurance (including forest certification), Occupational Health and Safety, asset liability management and asset purchases in their plans than Consultants. It has already been reported that Contractors discuss these topics more frequently (see Figure 6.4).
• Staff development was often not included in plans for Consultants (85%) and Contractors (68%) reflecting the poor level of training in the industry.

Having a clear understanding of the firm’s direction is important for growth (O’Gorman and Doran 1999, p.65). In this study, over 30% of the owner-managers interviewed did not prepare any written mission statements but 80% of the sample discussed “Company Goals” at a frequency of 2/5 or more (see Figure 6.4). The mean frequency of discussions about “Company Goals” on a scale of 1 to 5 is 3 and the “Vision for 5 years +” is 3.2 (Figure 6.3). This indicates that owner-managers tend to discuss the mission and vision for their companies reasonably often.

### 7.3: Formal Documents Prepared

For the purpose of this research, a formal planning document included any form of strategic plan, operational plan, proposal, business plan or budget. This is in contrast to the definition for partial documentation which included any working document developed for the purpose of planning. For the whole sample, 32% of owner-managers prepared formal plans.

The Consultants interviewed were well educated and often had experience as managers in large organisations. Many had received training in budgeting and had experience of strategic planning processes in large organisations. Their experience, combined with high
computer skills and literacy, removed some of the obstacles to preparing formal planning documents mentioned during interviews with Contractors so a higher level of formal planning was expected. This proved to be incorrect. Table 7.3 indicates that the level of formal plan preparation amongst the Consultant sub-set, even though higher, was not different to the level of formal plan preparation by the Contractors sub-set.

Table 7.3: Formal plan preparation – Contractors and Consultants

<table>
<thead>
<tr>
<th></th>
<th>Contractors Total</th>
<th>Consultants Total</th>
<th>t test¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal documentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepared</td>
<td>10</td>
<td>8</td>
<td>0.12 ns</td>
</tr>
<tr>
<td>Percentage of sample</td>
<td>26%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>n=39</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n = 17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹: p value from t test for differences in proportions between contractors and consultants: ns – not significant, * - significant (p<0.05), ** - significant (p<0.01).

7.3.1: Reasons for writing a plan

Owner-managers in the sample that prepared formal planning documents were asked to rate seven reasons why they invested in the process as well as to nominate any reasons not suggested in the list. The results can be seen in Figure 7.2.
Chapter 7: Formal Planning

Figure 7.2: Reasons for preparing formal planning documentation

<table>
<thead>
<tr>
<th>Reasons for preparing formal plans</th>
<th>Not important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance or funding application</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good business practice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helps with growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suggested by advisor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a reminder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Writing it was useful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Means. p value from t test for differences in means between contractors and consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

During discussions, some other reasons for preparing formal documentation emerged, including:

- meeting a financier’s requirement,
- the document helps share a vision between partners,
- help better integrate vision and finances,
- helping plan for the future and
- monitoring firm performance.

The low score for reason 5 (“Suggested by an advisor”) reflects the low frequency of discussions with financial advisors held by the sample as illustrated in Figure 6.5. The data supported the position that tax planning was not expected to be a major reason for preparing planning documentation since detailed tax planning was not often undertaken.
by small organisations.

However, anecdotal evidence often suggests that planning requirements for finance and business grants was a major force pushing small business owner-managers to develop business plans. The low score obtained in this study for reason 1 (finance or funding application) suggests that preparing application documentation was not a big force in developing formal planning documents. In discussions, the planning requirements for finance or funding applications was not mentioned by any owner-managers, suggesting it is not a major concern. This was unexpected and this study does not offer any compelling explanations for this behaviour.

The three main reasons that owner-managers prepared formal planning documentation revealed by this study were (see Figure 7.2):

- Good business practice,
- Helps with growth, and
- Preparation was a useful exercise.

These planning drivers were all based on the indirect benefits of planning rather than direct benefits such as controlling finances, planning asset management and their necessity for controlling business activities.

Similar comments were made during discussions revealing many owner-managers planned because it was considered good business management practice, rather than because it results in a direct and immediate benefit to the small business. One owner-manager commented that the formal plans he prepared were useless but the planning
process needed for preparation was useful. Another owner-manager stated that he did prepare a business plan that he never followed. Nine owner-managers that did prepare formal plans admitted not looking at the plans until the next revision was due. During discussions it became clear that many owner-managers planned because they felt pressured or obliged to do so as part of their duties as a business owner without being clear about the direct benefits of the plans. Owner-managers mentioned that planning was what a manager did and that they were expected to develop plans by family, staff and other managers. Some owner-managers were even reluctant to reveal to the researcher that they did not prepare any plans.

7.3.2: Contents of plans

The contents of the plans varied greatly between Contractors and Consultants as can be seen in Figure 7.3.
Consultants’ plans more often have business definition statements (such as Mission Statements, Objectives and Core Business Statements) than Contractors. Most Contractors had a clear understanding of their present business since they had to acquire the infrastructure and/or equipment necessary for the business. Consultants had more flexibility, since their major requirement was knowledge and experience. Consultants made more effort to define their core business activity in their plans.

Only 50% of Contractors that wrote formal plans developed a SWOT analysis and 60% undertook a risk analysis. This appears to be a low proportion since Contractors were consistently concerned by risks to their business given their strong dependence on finance for plant and equipment and often working for a single forest owner.

All Consultants that wrote formal plans included sections on “tactics to achieve their objectives” and “goals” compared to 60% of Contractors.

Another possible explanation for the differences in plan contents between Contractors and Consultants is that the parts of the plan that are difficult to write have been attempted by fewer Contractors than Consultants due to Contractors having lower literacy skills.
7.3.3: Planning frequency

Preparing a formal planning document was only a relatively recent activity for most owner-managers that did prepare a formal plan. Table 7.4 shows that 62% of owner-managers who prepared formal plans did so for the first time in the last 1 to 4 years. This should be contrasted with the average length of management for the sample as described in Section 5.4.2 specifically in Table 5.4. Contractors in the total sample had a mean management experience of 14 years and Consultants 12.2 years respectively. On average this means that that only 6 of 57 businesses (11% of sample) had prepared formal plans for any length of time despite the owner-managers being responsible for their businesses for an average 13 years.

Table 7.4: Period of planning

<table>
<thead>
<tr>
<th>Started planning:</th>
<th>Recently</th>
<th>1- 4 years ago</th>
<th>5-10 years ago</th>
<th>&gt;10 years ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n= 10)</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n = 8)</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>11</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>(n=18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>5.5</td>
<td>61.5</td>
<td>11</td>
<td>22</td>
</tr>
</tbody>
</table>

Table 7.5 shows that owner-managers who do write formal plans revise them relatively frequently. This suggests that these owner-managers see value in keeping their plans current and are prepared to invest in them as required.
Table 7.5: Frequency of formal plan revision

<table>
<thead>
<tr>
<th>Plan revised every:</th>
<th>1 to 5 months</th>
<th>6 to 11 months</th>
<th>1 to 2 years</th>
<th>2 years or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors (n=10)</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Consultants (n=8)</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total (n=18)</td>
<td>9</td>
<td>2</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>% of Total</td>
<td>51%</td>
<td>11%</td>
<td>27%</td>
<td>11%</td>
</tr>
</tbody>
</table>

7.3.4: Planning experience and frequency

Owner-managers were asked to list any people that were involved in the preparation of planning documents. All plans in the sample had major involvement from the owner-manager as shown in Figure 7.4.

Contractors received significantly greater involvement from their accountants when preparing their plans compared to Consultants possibly reflecting the higher levels of capital involved in most contracting activities compared to consulting.

Figure 7.4 is consistent with the results shown in Figure 6.6 which showed that discussions with family members and accountants are about the same frequency. Further Figure 7.4 reveals that owner-managers often involved staff with planning which is also consistent with the findings shown in Figure 6.6.
### Figure 7.4: People responsible for writing planning documents

<table>
<thead>
<tr>
<th>People involved in plan writing</th>
<th>Involvement Level</th>
<th>No involvement</th>
<th>Major involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Family members</td>
<td></td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Consultant(s)</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Accountant</td>
<td></td>
<td>p= 0.20 ns</td>
<td></td>
</tr>
<tr>
<td>Business advisor</td>
<td></td>
<td>p= 0.61 ns</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td></td>
<td>p= 0.75 ns</td>
<td></td>
</tr>
<tr>
<td>Friends</td>
<td></td>
<td>p= 0.022 *</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>p= 0.16 ns</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>p= 0.34 ns</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>p= 0.39 ns</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>p= 0.52 ns</td>
<td></td>
</tr>
</tbody>
</table>

Means. 

p value from t test for differences in means between contractors and consultants: ns – not significant, * - significant (p< 0.05), ** - significant (p<0.01).

#### 7.4: Uses for Formal Planning Documents

Owner-managers were questioned about the uses that were made of the planning documents prepared. Figure 7.5 shows the response as a percentage of each sub-set.

Plans are mostly used to support future directions or growth and as a tool for decision making. Contractors have a higher use of plans for supporting finance applications and to communicate strategic directions to staff than Consultants because Contractors had more finance applications and managed more staff than Consultants.
Other uses for plans suggested during interviews included using plans:

- in discussions with forest owner-managers concerning future contracts,
- as targets to monitor performance and
- as tools to help with financial management and asset protection.

**Figure 7.5: Uses made of plans**

<table>
<thead>
<tr>
<th>Use</th>
<th>Contractors</th>
<th>Consultants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Planning</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Decision Making</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Show Staff</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>Finance Applications</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Keep for Reference</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>Other</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Show Purchaser</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Nothing</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**7.5: Benefit of Formal Planning**

The owner-managers that produced formal planning documents were strongly supportive of the value of the activity as show in Figure 7.6. Both Contractors and Consultants felt that preparing a formal plan was worthwhile. One owner-manager suggested that “the business planning process made him think clearly and explore options to create wealth”.

Page: 144
Support for preparing a plan was also evident from comments made in discussions. One owner-manager commented that their plan was the blueprint for operations while another made similar comments adding that he “could not operate without one”. Another said that without plans his business “would be a static business going backwards”.

One owner-manager said he considered his efforts in planning gave him an edge in a very competitive industry. Another owner-manager said planning “opened his eyes to his business and its future directions”. The owner-manager of a large business said it helped him control and communicate with managers. One manager noted that developing plans was a key function required for ISO 9002 and ISO 4001 accreditation.

Five owner-managers commented that writing the plan was mostly a waste of time but the thinking involved in preparing the plan was highly valuable.
7.5.1: Specific use of formal plans

Some comments made during interviews that were of particular interest included:

- **Business plans are only useful at business start-up:**
  
  At least three owner-managers made the comment that business plans were only useful while they were engaged in developing new activities or businesses. One owner-manager added that a business plan gave him a solid foundation during the early stages of the business. Once they had the business established and a good understanding of the management, the effort required to write a plan was no longer justified.

- **Business planning was undertaken for specific projects and not the whole business:**
  
  The owner-managers (4) were enthusiastic about developing formal business plans for some parts of their business but not for others or for the whole organisation. There was no obvious reason for the way the firm was partitioned into the two groups. This approach was hard to justify except on the basis that resources were limited and plans were only developed for the areas that needed more management attention. It could also be based on the capacity of the staff working in the various areas. Owner-managers chose not to closely supervise areas that had a good manager with sound experience and a proven track record. This approach is worthy of more investigation and will be explored in Section 11.4.3.
7.6: Chapter Summary

This chapter examined the formal planning by owner-managers. Partial planning involved preparing some documentation while formal planning involved preparing some form of business or other sort of plan. Only 39% of the owner-managers interviewed were partial-planners, where as formal planners made up 32% of the total sample. A higher proportion of Consultants were formal planners than Contractors.

Contrary to popular belief, the main reason to write a plan was not for finance applications. Rather, the benefits to management and following accepted good business practice were the main reasons. The main contributor to the plan was the owner-manager. The most common use made of plans produced was as an aid to management. Owner-managers who prepared formal plans were very supportive of the process and the benefits that arose. Some owner-managers selectively planned by choosing to prepare formal plans for some activities and not for others.

The next chapter examines the characteristics of owner-managers in the sample who did not plan.
Chapter 8: Non-planning Owner-managers

8.1: Introduction

Many owner-managers in the sample (61%) reported not undertaking written planning activities in the past three years. This chapter looks at the planning knowledge of these owner-managers. The reasons the owner-managers did not plan are investigated.

Owner-managers reported a social and peer pressure to plan. They reported an expectation from advisors, accountants, staff, financiers, family and other owner-managers that they should develop budgets and business plans for their operations and that they were reluctant to admit not having prepared the documents. The researcher felt that many of the responses from owner-managers in this section reflected this pressure and may have been biased to hide the owner-manager’s embarrassment.

Differences in sample between Consultants and Contractors and between the sub-sets within these two groups are selectively highlighted whenever they arise.

8.2: Knowledge of Plan Contents

Owner-managers who did not plan were asked to rank their understanding of the contents of plans such as operational plans, strategic plans and business plans as shown in Figure 8.1. The ranking was supported by open ended questions requiring the respondent to describe plan contents. The responses were used by the researcher to ensure consistency
of the ranking which was revised as required to ensure a consistent ranking across the whole sample.

Figure 8.1: Knowledge of the contents of planning documents

<table>
<thead>
<tr>
<th>Knowledge of contents of plans</th>
<th>No Idea</th>
<th>Very Familiar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>p = 0.009 **</td>
</tr>
</tbody>
</table>

= Contractors (n=29), = Consultants (n=9).

Consultants had a significantly better knowledge of the contents of formal plans than Contractors. The corporate background of many Consultants would have given them an exposure to strategic planning processes. Further, the researcher felt that many owner-managers, particularly Contractors who did not formally plan were reluctant to admit that their knowledge about plans was deficient and lacking.

8.3: Rating of Usefulness of Formal Planning

Non-formal planning owner-managers were asked to rank how useful preparing a formal business plan would be to their business. The results are shown in Figure 8.2.
Nearly 50% of the sample (18 out of 38) owner-managers who did not write any plans responded during the interview that they felt a formal business plan would be useful to their business. However, this opinion was not supported by the figures shown in Figure 8.2 which shows that the sample mean is less than 2.5 indicating most of the sample considered planning less than useful. A mean above 2.5 would be expected if the scale response was to reflect the open ended question responses.

8.4: Reason for not Engaging in Formal Planning

Numerous reasons for not planning were offered by those who did not prepare formal plans as shown in Figure 8.3.

The only difference between Contractors and Consultants for the reasons they did not prepare formal planning documents was their knowledge about the contents of a plan. The level of knowledge of plan content by Consultants was significantly greater than that of Contractors. This result is consistent with the findings shown in Figure 8.1. The background of most Consultants means that they have been exposed to planning and
budgeting processes in their employment history and could not claim a lack of knowledge of planning content.

Figure 8.3: Reasons for not preparing formal plans

<table>
<thead>
<tr>
<th>Reason for not planning</th>
<th>Influence ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No influence</td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Too busy</td>
<td>1.6</td>
</tr>
<tr>
<td>Too costly</td>
<td>1.3</td>
</tr>
<tr>
<td>Waste of time</td>
<td>3.0</td>
</tr>
<tr>
<td>Too hard to write</td>
<td>1.8</td>
</tr>
<tr>
<td>Don’t know what’s in it</td>
<td>2.8</td>
</tr>
<tr>
<td>Don’t have the data</td>
<td>1.2</td>
</tr>
<tr>
<td>Don’t need one</td>
<td>1.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
</tr>
</tbody>
</table>

- Contractors (n= 29), = Consultants (n= 9).

Means. p value from t test for differences in means between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

Numerous other reasons for not writing plans were identified including:

- Small business does not need to communicate with staff via a written plan (2 owner-managers),
- The business was only small and there is no need for formal plans,
- The owner-manager has a vision but does not write it down due to poor literacy skills,
- The owner-manager could not justify writing plans (5 owner-managers),
- Writing a plan takes too much time off the job (4 owner-managers),
  - Too busy doing day to day activities (2 owner-managers),
  - Too busy earning money (3 owner-managers),
  - Planning not high on the agenda. Too busy.
• Writing a plan is not core business,
• Things change too quickly and the plan is old before it is finished,
• Prefer partial plans with clearly understood objectives,
• During expansion the focus is on production and not administration,
• A set of principles is more useful than rigid plans (3 owner-managers).

Further:
• Two owner-managers stated that they were more interested in quality of life and personal values than hard business success.
• One stated that he would get a fright if he prepared a detailed business plan and “money is not everything anyway”.
• Others felt that they work in a very fluid industry where plans needed to be changed regularly. Their future was “too hard to nail down” and that they were “opportunity takers” rather than “opportunity makers”.
• Others commented that they were in a “responsive industry”. One owner-manager commented that he used his budget as a planning document since the industry was changing too fast to plan more than a year in front.
• One owner-manager stated that he “knew his business and could predict his future operations without putting it to paper”.
• Some firms had partners that were working in isolated locations and getting them together to develop a business plan was very difficult.

Owner Profile 4 describes the approach to planning by a Capital Intensive Contractor who was financially secure and content with his lifestyle and he chose not to write formal plans.
Owner Profile 4: Capital Intensive Contractor

**Code:** F3  
Capital Intensive Contractor

**Operations:** Log hauling

**Contracts:** Contracts to the only major plantation owner in the area. Work is obtained by direct invitation and negotiation.

**Assets:** 8 log haul trucks, 3 D7/D6M bulldozers, 2 skidders, 5 feller-bunchers, 3 forwarders, 3 log processors

**Financials:** Turnover of over $5m per year. Company owned by F3 and his wife.

**Background:** F3 (aged 50) has a mechanics qualification from a TAFE College. He started as an owner-diver of a log truck 25 years ago and expanded progressively over time to be one of the biggest integrated forest harvesting and haulage operations in the region. F3 rated his literacy and numeracy skills as 4/5 but his computer skills are non-existent. F3 has never had any management training except a short course in OH&S.

**Staff:** F3 employs 22 permanent staff in the field and one office worker. F3’s wife also helps in the office. F3 is much happier working in the forest or driving a truck than being in the office.

**Plans:** F3 has no idea of the contents of a business plan and thinks preparing one would be a waste of time since he must accept work as it is offered by the forest owner and is too busy to put time aside. F3 has a strong vision for his business including a period of expansion during which turnover can be increased to a level where he can employ a manager. This will be followed by a period of consolidation. F3 wants a manager so he can step back from operational management into semi-retirement.
Numerous owner-managers commented that they discuss their plans with family and friends often but did not need to commit them to paper. Partners, wives, brothers and fathers were very important sounding boards for plans as confirmed in Section 6.5.2. Partners were important to Contractors and Consultants but Contractors discussed plans more with parents and brothers.

One owner-manager, who had an MBA degree, had not previously prepared plans because the business was only small. However, due to expansion he recognised he needed a business plan and would soon develop one.

### 8.5: Comparison of Planners and Non-Planners

An analysis of the characteristics of owner-managers who prepared planning documentation (partial and formal planners combined, called “planners”) and owner-managers who did not prepare written plans (called “non-planners”) can be seen in Table 8.1.
Table 8.1: Analysis of planners and non-planners

<table>
<thead>
<tr>
<th></th>
<th>Planners</th>
<th>Non Planners</th>
<th>t test&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (years)</td>
<td>45.9 (10.2)</td>
<td>44.4 (10.9)</td>
<td>p= 0.61 ns</td>
</tr>
<tr>
<td>Technical experience</td>
<td>20.0 (11.6)</td>
<td>22.9 (12.7)</td>
<td>p= 0.39 ns</td>
</tr>
<tr>
<td>(years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management experience</td>
<td>12.8 (9.5)</td>
<td>14.2 (9.3)</td>
<td>p= 0.58 ns</td>
</tr>
<tr>
<td>(years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education level</td>
<td>1.9 (0.8)</td>
<td>1.8 (0.9)</td>
<td>p= 0.86 ns</td>
</tr>
<tr>
<td>Literacy score</td>
<td>4.3 (1.2)</td>
<td>4.0 (1.0)</td>
<td>p= 0.23 ns</td>
</tr>
<tr>
<td>Numeracy score</td>
<td>4.5 (0.8)</td>
<td>4.1 (0.9)</td>
<td>p= 0.10 ns</td>
</tr>
<tr>
<td>Computer literacy score</td>
<td>4.2 (1.4)</td>
<td>2.6 (1.7)</td>
<td>p= 0.001 **</td>
</tr>
<tr>
<td>Annual turnover</td>
<td>$500,000 - $1m</td>
<td>$500,000 - $1m</td>
<td>p= 0.54 ns</td>
</tr>
<tr>
<td>($ per year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of staff</td>
<td>11.9 (16.2)</td>
<td>9.5 (10.5)</td>
<td>p= 0.52 ns</td>
</tr>
<tr>
<td>employed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of vision</td>
<td>4.1 (1.0)</td>
<td>4.0 (1.1)</td>
<td>p= 0.65 ns</td>
</tr>
<tr>
<td>Mean benefit of</td>
<td>4.50 (0.71)</td>
<td>2.08 (1.1)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>planning ranking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n=22</td>
<td>n=34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup>: p value from t test for differences in means between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

Table 8.1 reveals that there is very little difference between owner-managers that prepared at least some form of planning documents and owner-managers that do not document their plans. While non-planners and planners had the same mean number of staff employed, the standard deviation of planners was much bigger than that for non-planners indicating a wider range of organisation size than non-planners.
No difference between the strength of vision between owner-managers who planned and owner-managers who did not plan was found as shown in Table 8.1. Both groups have a strong idea where they wanted their firms to be in the next five years, showing that a lack of planning does not equate to a lack of vision. Owner Profile 4 describes such a person. The owner-manager, with the support of his wife, was running a complex business with a large turnover. He did not undertake formal planning but prepared an annual budget. While being literate and numerate, the owner-manager did not have any computer skills.

The significant differences between the two categories were computer literacy score and ranking of the benefits of planning. Non-planners had a low mean computer literacy score suggesting that the inability to use a computer is a major problem to those who would otherwise plan. Computer skills are necessary to assist to write documents and to develop financial models and budgets using spreadsheets.

The low ranking of the benefits from planning identified by non-planners means they are unlikely to make the time investment and develop the new skills needed to develop plans. This study did not investigate reasons underlying the low benefit level assigned to planning by non-planning owner-managers as it was beyond the scope of the project.

Some owner-managers choose not to plan. Owner Profile 5 describes a well educated and highly successful Capital Intensive Contractor who has decided not to develop formal plans.
Owner Profile 5: Capital Intensive Contractor

**Code:** C3  
Capital Intensive Contractor

**Operations:** Contract weed control  
**Contracts:** Contract with land owner-managers and forest management companies for weed control in new plantations. Most contracts are set price $/ha sprayed.

**Assets:** 5 tractors, 2 spray rigs  
4 tractor mounted spray rigs

**Financials:** Annual turnover in excess of $5,000,000.

**Background:** C3 is 37 years old and has a TAFE diploma of agriculture. He has been in the weed control industry for 10 years and managed his own firm for eight years. C3 has good literacy and numeracy skills but has no computer skills by his own decision. He prefers to leave computers to his office staff. C3 has learnt most of his technical skills in his agriculture course and on the job. He has not had any management training.

**Staff:** C3 employs eight permanent people in the field and one office worker. C3’s wife also helps in the office and is paid. C3 and his brother are the joint owner-managers and both work in management and the field.

**Plans:** C3 has made a decision not to plan. He has no idea of the contents of a business plan and prefers to “fly by the seat of his pants”. He feels planning is not useful at all since his work is piece work. His reason for not writing a business plan is because he “does not want one”. C3 enjoys his job and looks for lifestyle and quality of life values as well as income from his business. He does not measure business only in financial terms. C3 does have a very strong vision for his business including structuring the business for sale in the next five years. His personal goals were often discussed with his wife and business partner brother. Staff were also involved in planning to a lesser extent.
8.6: Chapter Summary

Over 60% of owner-managers interviewed did not record any of their planning on paper. The general level of knowledge about the contents of plans was low for Contractors. Consultants reported a better knowledge of the contents of plans. Many owner-managers felt their business would benefit from developing a formal plan. Numerous reasons were offered for not preparing a plan. The reason with the biggest influence was that many of the owner-managers believed they did not need a written plan. However, it is most likely that a combination of hurdles and hindrances to planning contribute to making the task too big and difficult for the owner-manager to undertake.

Other owner-managers, mostly Consultants, had a reasonable knowledge of the contents of a plan and the skills needed to produce a written plan. Many owner-managers reported that they would be pleased to invest the resources needed for plan preparation if required. However, they had made a conscious decision not to plan based on the opinion that they do not need formal plans and developing them for their business would be a waste of time.

An analysis of the characteristics of owner-managers who planned and those who did not (on the basis of preparing documents) revealed that computer literacy level and perceived benefit of formal plans to their businesses was different between the two groups. Non-planners had a significantly lower mean computer literacy score and a significantly lower expectation of the benefits of planning.
This chapter concludes the presentation of the basic data obtained in the study. The next chapter will extend the data by undertaking further analyses of the underlying relationships contained within the sample.
Part 3: Analysis and Discussion

Chapter 9: Additional Findings and Interpretations

Chapter 10: Discussion and Conclusion
Chapter 9: Additional Findings and Interpretations

9.1: Introduction

The small business owner-managers in the forestry sector who were interviewed were, like small business owner-managers everywhere, busy people focused on delivering on contracts and obtaining new contracts to keep income regular and to retain staff.

This chapter will merge some of the data presented in Chapter 4 (Preliminary Results) and Chapter 5 (Owner-manager Demographics) to build a more detailed picture of the owner-manager, family, staff and planning practices of the sample. The influence of the owner-manager has particular relevance to small businesses where the owner-manager is often the lead entrepreneur. Kickul and Gundry (2002, pp.85-6) noted that the owner’s personal attributes interacted with other variables to affect the organisations actions and performance.

It is wrong to assume that all small business owner-managers wish to expand their operations and increase their net worth. As with many business owner-managers operating in primary production, there were often other goals and objectives that influenced their business decisions including lifestyle, independence, a preference for regional living and creating opportunity for the family.
9.2: Age and Gender

The strong male bias of the sample reflected the structure of the industry being investigated. A study into small businesses by Walker and Brown (2004, p.583) reported their sample was 64% male compared to 96.5% male in the sample used in this project. Forestry contractors have a reputation for an aggressive management approach which was frequently observed by the researcher while undertaking interviews for this project.

The age distribution of the sample reflected industry characteristics. Only 2 owner-managers in the sample were under 30 years of age. The mean ages for Contractors and Consultants (43.4 and 51.0 respectively) were older than expected. Forest owner-managers will need to encourage younger owner-managers into the sector or a skill shortage may evolve. During interviews, many owner-managers reported difficulty in finding either skilled operators to work in the bush or experienced operators with a capacity for management. The incomes available in the forestry sector for machinery operators and contractors are small compared to those operating similar equipment in the mining and construction sectors. Many younger people only remain in the forestry sector because of some locality or family tie to the industry.

For Consultants, the low numbers of people interested in studying a Forest Science Degree at university is already causing problems for forest owners looking to employ entry level graduates. Professional foresters are now being recruited from South Africa by some large forest management firms. This will have a flow-on effect ultimately
reducing the number of foresters and potentially reducing the number of new consultants entering the workforce.

9.3: Experience

The mean and median figures for years of experience shown in Tables 5.2, 5.3, 5.4, and 5.5 should be reviewed carefully given the large standard deviation for both sets of data. The length of technical involvement in the forestry sector is significantly longer for Consultants than for Contractors. This is due to the trend of professional foresters establishing a consultancy service late in their careers.

The average length of experience as an owner-manager compared to the years of technical experience is shorter, reflecting the usual sequence of working for someone else to get experience before establishing a business. It is interesting to note that the most experienced person (54 years experience) was a forestry consultant with only five years experience as an owner-manager. After retiring from a long career as a professional forester, he started part-time consulting. The most experienced Contractor had completed 40 years as the owner-manager of a transport firm. He bought his first log truck 41 years ago. Over time he expanded his fleet to 40 trucks plus sub-contractors, employed more than 50 people and had an annual turnover of more than $8 million.

The expected correlation between age, years of technical experience and years of management experience is confirmed in Table 9.1 for both Consultants and Contractors.
This indicates that technical and management experience both tend to increase with age. Years of technical experience is also correlated with years of management experience indicating that participants included their years as managers in the total for technical experience.

<table>
<thead>
<tr>
<th></th>
<th>Age and Technical Experience</th>
<th>Age and Management Experience</th>
<th>Technical and Management Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>0.623**</td>
<td>0.623**</td>
<td>0.845**</td>
</tr>
<tr>
<td>(n=39)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consultants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation</td>
<td>0.834**</td>
<td>0.742**</td>
<td>0.577*</td>
</tr>
<tr>
<td>(n=17)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* = correlation significant at the 0.05 level (2 tailed), ** = correlation significant at the 0.01 level (2 tailed)

As no correlation was found between years of technical experience or years of management experience and number of staff or annual turnover, experience is not an indicator of firm size as measured by the parameters used in this project.

### 9.4: Education

#### 9.4.1: Formal education

The level of formal education of the sample was low. The high number of older owner-managers that completed year 10 or less reflects the expectations of regional communities at that time. School was considered a luxury for a few while most needed to start work early. This approach was especially prevalent in rural communities that also had transport...
problems getting children to school.

A significant difference for mean education level between Contractors and Consultants was reported in Section 5.5.1. There is also a negative correlation between education level and number of people employed and also with annual turnover. This result is consistent with Contractors having a significantly greater annual turnover and employing significantly larger numbers of staff than Consultants (Table 4.2).

Table 9.2: Correlations: education level, number of staff and annual turnover

<table>
<thead>
<tr>
<th>Education Level Correlation</th>
<th>Number of Staff</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.447 **</td>
<td></td>
<td>-0.400 **</td>
</tr>
<tr>
<td>n=56</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*= correlation significant at the 0.05 level (2 tailed), **= correlation significant at the 0.01 level (2 tailed)

These results can be explained in the following as follows:

- firms with large turnovers involving heavy plant and equipment have high capital, operational and maintenance costs;
- many owner-managers of transport and harvesting firms were qualified mechanics;
- most professional Consultants were labour intensive operations with low capital and operational costs;
- Professional Consultants have low turnover; and
- turnover is not necessarily an indicator of profit.

9.4.2: Literacy, numeracy and computer literacy

There are good correlations between education levels, literacy level, numeracy level and computer skills level for Contractors as shown in Table 9.3. The level of computer literacy shown by Contractors was low; 34 (87%) reported level 1 or 2 out of 5 for
computer literacy (very poor or poor). During discussions many owner-managers reported relying on family members to operate the computer. In addition, many owner-managers expressed a desire to learn how to use a computer or a need to improve their computer skills but did not seem to do anything about it. Some admitted that finding the time to undertake computer training was a problem. Bad past experience such as receiving irrelevant training from instructors who did not understand forestry was a discouragement. Others were worried about their ability to learn new computer skills and so were reluctant to start computer literacy classes.

In contrast, the high level of numeracy in Contractors was not expected. During discussions, owner-managers suggested that they needed to develop good arithmetic skills to enable the calculation of the quotes and budgets necessary for their business operations. Hence those still in business may have self-selected for a minimum level of numeracy and the businesses belonging to those owner-managers with poor maths skills may have already failed.

Consultants had a higher education level than Contractors which was reflected only in literacy levels being correlated with numeracy levels. Computer skills are not correlated to education level since some older Consultants have not received any computer literacy training.
Table 9.3: Correlations: education level, literacy, numeracy and computer skills levels

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Literacy Level</th>
<th>Numeracy Level</th>
<th>Computer Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractors</strong> (n=39)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Level</td>
<td>0.433**</td>
<td>0.422**</td>
<td>0.359*</td>
</tr>
<tr>
<td>Literacy Level</td>
<td>-</td>
<td>0.578**</td>
<td>0.520**</td>
</tr>
<tr>
<td>Numeracy Level</td>
<td>-</td>
<td>-</td>
<td>0.555**</td>
</tr>
<tr>
<td><strong>Consultants</strong> (n=17)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Level</td>
<td>0.605*</td>
<td>0.328 ns</td>
<td>-0.072 ns</td>
</tr>
<tr>
<td>Literacy Level</td>
<td>-</td>
<td>0.483*</td>
<td>0.482 ns</td>
</tr>
<tr>
<td>Numeracy Level</td>
<td>-</td>
<td>-</td>
<td>0.061 ns</td>
</tr>
</tbody>
</table>

*= correlation significant at the 0.05 level (2 tailed), **= correlation significant at the 0.01 level (2 tailed)

Only a few owner-managers had a qualification or had received training of any sort in business management. The result was a very heavy dependence on accountants, and, less frequently, business advisors and family to assist with developing suitable business strategies. Often book-keeping was entrusted entirely to a part-time office worker or partner/spouse to complete. The introduction of the GST added a further administrative burden to the business. However, only three people interviewed expressed any doubts about their ability to manage or had any interest in upgrading their business management skills. Most seemed happy with their existing skills and appeared confident in their existing management skills with the option of seeking advice from their accountant if necessary.

**9.4.3: Business skills development**

Figure 5.2 showed that over 70% of owner-managers interviewed had not received any business management training, tutoring or mentoring. During the interview many owner-
managers reported using only experience and common-sense to run their business.

The lack of business management training would certainly contribute to the low level of knowledge about the content of a business plan for owner-managers who do not plan (as shown in Figure 8.1).

Reasons reported for not attending any business training included:

- difficulty in locating courses offering relevant content scheduled at a suitable time,
- a feeling that the owner-manager was doing well enough without management training, and
- some Contractors reported a dislike of entering conventional training situations due to being reminded of bad school experiences.

### 9.4.4: Role of professional associations

A number of very strong professional associations relevant to Contractors and Consultants were referred to by some owner-managers during the study. Owner-managers often commented that the education and technical briefing role of relevant professional associations was essential to keep the owner-manager up to date with technical and legislative changes. Owner-managers were concerned that Occupational Health and Safety legislation was a rapidly changing area that held significant consequences for mistakes, but was too complex an area to be handled through normal training and professional development processes. Some suggested their professional association could assist in this area.

The positive networking and continuing education function served by professional
associations is only available to those owner-managers who are members. Membership was neither at a high level nor compulsory. Many owner-managers elected not to be members and, hence, were missing out on the only training programs specifically designed for their industry.

9.5: Family Contribution to the Business

Family involvement in many owner managed small businesses is well recognised by the literature. Results suggest that a higher level of family work is paid for in owner-managed firms in the forestry sector than has been reported in family-run farms. Possibly one reason for this is that families work to build up the family farm which can be sold or passed on to further generations. Owner-managed firms in the forestry sector can only build up good-will and an inventory of plant and equipment if applicable. Owner-managers see direct payment for labour by family members as appropriate in a volatile business environment.

9.6: Comparison of the Value of Planning for Planners and Non-Planners.

Comparison of the evaluations of the value of planning by planners (Section 7.5) and by non-planners (Section 8.3) based on their respective rankings on the 5 point scale is shown in Table 9.4. There is a significantly higher value placed on formal planning by
those owner-managers who plan than by those who do not. This project did not provide data to further explore the basis of this observation.

Table 9.4: Comparison of the value of planning by planners and non-planners

<table>
<thead>
<tr>
<th></th>
<th>Planners Mean (standard deviation)</th>
<th>Non-planners Mean (standard deviation)</th>
<th>t test†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit ranking</td>
<td>4.50 (0.71)</td>
<td>2.37 (1.28)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>n= 18</td>
<td>n = 38</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† p value from t test for differences in means between Planners and Non-planners: ns – not significant, *- significant (p< 0.05), **- significant (p<0.01).

**9.7: Effort Devoted to Planning**

Many owner-managers commented during their interview that they felt peer pressured to undertake planning and frequently commented on the general expectation that business owner-managers should have a business plan and budget. During sampling, owner-managers were asked to rate the effort put into planning on a scale of 1 (none) to 5 (large amounts). The results were reported in Section 6.3 and Figure 6.1. It is possible that some owner-managers responded with “2” because they were embarrassed to admit that they did very little planning. More correctly they should have responded with “1”. Figure 6.1 can be corrected by combining responses “1” and “2” to produce Figure 9.1 which shows a distinct pattern particularly for Contractors. Comparison of Figures 6.1 and 9.1 gives an indication of the expectation some owner-managers experience to undertake corporate planning.
Figure 9.1 indicates that 47% of Consultants rated their planning effort as 4 or 5 while only 30% of Contractors reported a similar effort rating.

9.7.1: The relationship between firm size and planning effort

It was anticipated that firms with larger annual turnovers would devote more effort into planning activities. A correlation between firm size (as indicated by annual turnover) and planning effort (scale 1 – 5) was investigated. For this sample, there was no correlation between the size of the firm and the effort put into planning as can be seen in Table 9.5. The eight firms that reported that they had put a lot of effort into planning ranged from small to large annual turnovers sampled in the study. Table 9.5 shows that there is a
small increase in the number of firms that reported a level 5 planning effort as turnover rose over $3 million per year. There was a sample mean of 15.3% of firms in each turnover size reporting a level 5 planning effort.

Table 9.5: Annual turnover (Aus$) compared to self-assessed planning effort level 5

<table>
<thead>
<tr>
<th>Annual Turnover before tax (Aus$)</th>
<th>Number in group self-assessed level 5 for planning effort</th>
<th>Total number in group</th>
<th>% of rank 5 in group</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$100,000</td>
<td>1</td>
<td>6</td>
<td>17.0%</td>
</tr>
<tr>
<td>$100,001-$500,000</td>
<td>2</td>
<td>20</td>
<td>10.0%</td>
</tr>
<tr>
<td>$500,001-$1,000,000</td>
<td>1</td>
<td>7</td>
<td>14.3%</td>
</tr>
<tr>
<td>$1,000,001-$3,000,000</td>
<td>1</td>
<td>7</td>
<td>14.3%</td>
</tr>
<tr>
<td>$3,000,001-$5,000,000</td>
<td>1</td>
<td>5</td>
<td>20.0%</td>
</tr>
<tr>
<td>Greater than $5,000,000</td>
<td>2</td>
<td>9</td>
<td>22.2%</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>56</td>
<td>14.0%</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td></td>
<td>15.3%</td>
</tr>
</tbody>
</table>

Planning has a high component of communication. In the formulation phase of planning, people talk and share ideas. Eventually a final document is distributed to share the vision. It would be reasonable to assume that owner-managers of large firms would talk about plans with more people than owner-managers of firms involving smaller numbers of staff. However, the very high standard deviation for the level of Consultant discussions with staff reflects the considerable variation found in this sector. Consultants employed a mean of 2.1 people with a standard deviation of 1.6 people. Within this sample, the level of discussions with staff was also highly variable. Some Consultants worked very closely
with their small number of professional staff who had high levels of communication skills. Others employed only field staff or seasonal staff to support heavy or specialist work requirements and this type of consultant did not discuss future plans in any detail.

O’Gorman and Doran (1999, pp.59-60) reported that firms did more planning at a higher level of sophistication as they grew. The growth of a firm places additional challenges in front of the owner-manager. While the activities increase in number and logistical complexity, the owner-manager must also make the transition from a worker to a manager. O’Gorman and Doran (1999, pp.59-60) discussed this process noting a number of effects and coping strategies used by small and medium sized business owner-managers to handle expansion. They noted that many small businesses failed because of the owner’s inability to make the transition to a manager. The findings shown in Table 6.3 and Table 9.5 do not conform to the results and literature reported in O’Gorman and Doran (1999). In this study, the size of the organisation was not correlated to the effort devoted to planning by the owner. Neither does the percentage of firms that prepare a formal business plan increase with an increase in the size of the firm. This study did not investigate the reasons why the sample here does not follow reported trends. Some reasons might include:

- relatively small operation size compared to many studies that review Small and Medium Enterprises (SMEs),
- the unique background and history of establishment and growth in firms reviewed in the sample, or
- the reported trends need review and revision to accommodate sectors similar to the one examined here.
9.8: Planning Triggers

For over half of the sample, the owner-manager saw little benefit or incentive to invest time and resources into formal planning activities. Planning hindrances and hurdles are discussed in Section 8.4. However, some occurrences acted as incentives to start formal planning. These are called “planning triggers”.

Five planning triggers for formal planning were revealed:

1. **Finance and grant applications:**
   Most lending institutions and government departments require a detailed business plan that outlines strategic direction, operational plans and financial details with the finance application. Contractors usually require finance for the purchase of heavy equipment and so they have to develop a business plan as part of the application.

2. **Expansion of business to accommodate entry of a child or relation:**
   Owner-managers frequently mentioned that they needed to expand their business since they wanted to provide employment for a relation so they needed to develop plans to expand the income of their operations to support another employee. Usually sons were expected to operate equipment, daughters were often allocated administration or book-keeping duties and were usually perceived as a new fixed cost rather than someone involved in production that could be perceived as a variable cost. This trigger is more important to Contractors. Most Consultants required a university education and considerable experience to function. The small operation size left little room for employment of family in the office.

3. **Change of management approach:**
   For a number of reasons, including sickness, wishing to step back to semi-
retirement, or a plan to expand the business, the owner-manager may wish to employ an operations manager. For similar reasons to the employment of family, owner-managers felt the need to develop a business plan and budget to see if the new position could be funded and to define more precisely the growth necessary before an appointment could be made.

4. **Change of owner-managership:**
   Most potential buyers of a business sought financial reports, due diligence statements and operational plans. Owner-managers who were considering selling their business reported having to develop operational and business plans to show potential buyers.

5. **Change in the industry context:**
   Owner-managers sometimes used planning as a way to assist them in a period of change or uncertainty. Some owner-managers felt that undertaking a planning exercise assisted them in making sense of change, identifying options and strategies and re-establishing vision and direction in their management.

During the interviews, owner-managers often reported not having prepared formal plans until one or more of the planning triggers stimulated the need for some plans. Alternatively other owner-managers said words to the effect of “I have never planned before but need to do some now because…….” then quoted a planning trigger.

Planning triggers indicate that many of the owner-managers in this sample viewed planning as a reactive activity undertaken to meet a need rather than a normal part of business management undertaken as part of a strategic approach to decision making.
9.9: Disincentives to Planning

The study also identified a number of reasons why owner-managers failed to develop formal plans in addition to the hurdles and hindrances discussed in Section 8.4:

1. **Lack of power:**
   Owner-managers of small business felt that they were not able to influence their future. The investment made in the business had locked their business into a group of services provided to the forest owner-managers. They felt little ability to influence change. They would continue looking for work that was offered at the discretion of the forest owner in a market that was already saturated with competitors and opportunists looking to enter. Comments such as “Why would I need to develop a strategic plan when I just take what I can get?” were common.

2. **Lack of management time and space:**
   The compliance demands on small business are increasing. Not only GST administration but the need to have proper processes and documentation for safety and employment matters has increased demands on owner-managers. Further, owner-managers recognise the need to keep copies of records, memos and instructions in case they find themselves in court, industrial commission or under a WorkCover audit. The complexity of management even before any operations can commence has owner-managers complaining about the demands on their time and energy. It should be noted that most owner-managers interviewed were usually well established managers in well established businesses. The pressures on start-up business owner-managers with high debt levels trying to establish a place in the market would be even higher.

3. **Planning has an image problem:**
   The literature offers numerous comments about the need for small business to plan and the benefits of a well developed planning process. These findings
have not filtered through to the sample of owner-managers that participated in this study.

Contractors were typically people who had an operational background and a trade education and who have worked their way up from coal-face production activities. Mostly strong willed individuals, they preferred to manage by thinking while doing rather than by planning and communicating strategic direction to others to implement. The owner-managers in the sample were men who believe they can achieve most things they set out to do. Learning how to develop plans and doing planning is not beyond most owner-managers but they chose to give it a low priority against day-to-day operational activities.

For this sample, planning has an image problem. It is not seen as “real productive work” that generates cash flow. The benefits of planning were seen to be quite low and it was seen to be done by those with time on their hands making work for themselves to do.

**9.10: Analysis of Formal Planners and Non-Planners**

An analysis of the characteristics of formal planners compared to non-planners was undertaken. The results are shown in Table 9.6, and they differ to Table 8.1, as partial planners have been omitted from the analysis allowing only those that plan formally to be compared to those that are non-planners.

There was no difference found between formal planners and non-planners for parameters
such as mean age, technical experience, management experience, education level, literacy score, annual turnover strength of vision and number of staff employed. As indicated by their competency scores, the level of numeracy was different between formal planners and non-planners while the level of computer literacy was significantly different between the two groups. This suggests that low numeracy and computer literacy levels are a major impediment to owner-managers preparing formal plans.

There is also a significant difference in the perceived benefits of planning. Those who planned ranked the benefits of planning much higher than those who did not plan.

These results suggest that owner-managers with low numeracy and computer skills (and possibly low literacy skills) avoided preparing formal plans simply because they did not have the technical skills needed to prepare the documents. Further, because of the low benefits they perceived through planning, they did not justify the input required to improve these skills to the necessary level. These results will be further tested using regression analysis and the results will be discussed in Section 9.12.

As would be expected, these results are very similar to Table 8.1 in Section 8.4, except that a difference between numeracy levels when comparing formal planners and non-planners was found. The cause of this difference needs further analysis.
Table 9.6: Analysis of formal planners and non-formal planners

<table>
<thead>
<tr>
<th></th>
<th>Formal Planners</th>
<th>Non-Planners</th>
<th>t test&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean (standard deviation)</td>
<td>Mean (standard deviation)</td>
<td></td>
</tr>
<tr>
<td>Age (years)</td>
<td>45.3 (11.0)</td>
<td>44.4 (10.9)</td>
<td>p= 0.79 ns</td>
</tr>
<tr>
<td>Technical Experience (years)</td>
<td>20.7 (12.2)</td>
<td>22.9 (12.7)</td>
<td>p= 0.55 ns</td>
</tr>
<tr>
<td>Management experience (years)</td>
<td>13.7 (10.2)</td>
<td>14.2 (9.3)</td>
<td>p= 0.86 ns</td>
</tr>
<tr>
<td>Education level</td>
<td>2.2 (0.9)</td>
<td>1.8 (0.9)</td>
<td>p= 0.19 ns</td>
</tr>
<tr>
<td>Literacy score</td>
<td>4.4 (1.1)</td>
<td>4.0 (1.0)</td>
<td>p= 0.22 ns</td>
</tr>
<tr>
<td>Numeracy score</td>
<td>4.7 (0.6)</td>
<td>4.1 (0.9)</td>
<td>p= 0.04 *</td>
</tr>
<tr>
<td>Computer literacy Score</td>
<td>4.4 (1.3)</td>
<td>2.6 (1.7)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>Annual turnover ($ per year)</td>
<td>$500,000-$1m</td>
<td>$500,000-$1m</td>
<td>p= 0.87 ns</td>
</tr>
<tr>
<td>Staff employed (number)</td>
<td>12.2 (18.2)</td>
<td>9.5 (10.5)</td>
<td>p= 0.54 ns</td>
</tr>
<tr>
<td>Strength of vision</td>
<td>4.1 (1.0)</td>
<td>4.0 (1.1)</td>
<td>p= 0.86 ns</td>
</tr>
<tr>
<td>Benefit of planning ranking</td>
<td>4.50 (0.71)</td>
<td>2.08 (1.1)</td>
<td>p= 0.000 **</td>
</tr>
<tr>
<td>n=18</td>
<td>n=34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup>p value from t test for differences in means between Contractors and Consultants: ns – not significant, * - significant (p< 0.05), **- significant (p<0.01).

9.11: Field Observations

While undertaking discussions with owner-managers a number of observations were made. They are presented here as personal observations requiring further investigation.
9.11.1: Influence of Location on Planning

The amount of planning undertaken by Contractor owner-managers was influenced by the location of the firm. Some regions had a much higher level of planning than others. Deeper questioning during the interview showed that the level of planning was not influenced by location but by the number of forest owner-managers in the locality offering work. Owner-managers working in areas where there was only one major forest owner-manager reported feeling vulnerable to being exploited which resulted in feeling of lack of power over their future. One owner-manager commented that he ran “a small business that was only able to take opportunities as they arose, not make them themselves. “ He could not see the benefit in planning. Two other owner-managers made similar comments.

Conversely, owner-managers of firms in regions where there were a number of forest owner-managers did not feel exposed since they could elect to reject unreasonable offers from any one owner-manager and expand their operations across a number of organisations. Having alternative forest owners to work for resulted in a noticeably more positive outlook from the owner-manager and a tendency towards a higher level of planning.

Consultants did not have the same concerns, as they often had a national focus and moved around the country more than most Contractors.
9.12: Regression analysis

The relationships described were investigated for contribution to three dependent factors:

1) Perceived planning benefits,
2) Effort spent on planning, and
3) Planning Level.

The relationships were explored using multiple linear regression analyses resulting in models described in the next sections.

9.12.1: The benefits of planning

During the interviews, owner-managers were asked to rate the benefits they felt their firm would derive from preparing formal plans. Seven independent variables were tested for contribution to the owner-managers’ rating. Three independent variables returned significant contribution to the model. Scatter plots confirmed that linear relationships were appropriate. The means, standard deviations and inter-correlations are presented in Table 9.7.
Chapter 9: Additional Findings and Interpretations

Table 9.7 Planning benefit regression variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean n=56</th>
<th>Standard Deviation</th>
<th>Correlations Planning Effort</th>
<th>Literacy Skills</th>
<th>Computer Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Planning Benefit</td>
<td>2.86</td>
<td>1.51</td>
<td>0.54 **</td>
<td>0.13</td>
<td>0.43 **</td>
</tr>
<tr>
<td>Predictor Variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning Effort</td>
<td>3.10</td>
<td>1.19</td>
<td>- -</td>
<td>0.38 *</td>
<td>0.52 **</td>
</tr>
<tr>
<td>Literacy Skills</td>
<td>4.16</td>
<td>1.02</td>
<td>- -</td>
<td></td>
<td>0.60 **</td>
</tr>
<tr>
<td>Computer Skills</td>
<td>3.18</td>
<td>1.81</td>
<td>- -</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n=56, * - significant (p< 0.05), **- significant (p<0.01).

The results presented in Table 9.8 show that Planning Effort and Computer Skills significantly predicted the Perceived Planning Benefit when Literacy Skills are included. The adjusted $R^2$ value was 0.33 indicating that 33% of the variance in Perceived Planning Benefits was explained by the model.

Table 9.8: Multiple regression analysis summary

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Standard Error</th>
<th>t test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Effort</td>
<td>0.58</td>
<td>0.17</td>
<td>3.412 *</td>
</tr>
<tr>
<td>Literacy Skills</td>
<td>-0.37</td>
<td>0.22</td>
<td>-1.682</td>
</tr>
<tr>
<td>Computer Skills</td>
<td>0.29</td>
<td>0.13</td>
<td>2.231 *</td>
</tr>
<tr>
<td>Constant</td>
<td>1.67</td>
<td>0.80</td>
<td></td>
</tr>
</tbody>
</table>

n= 56  $R^2 = 0.33; F (3,47) = 9.03, p< 0.001, * - significant (p< 0.05), **- significant (p<0.01).
9.12.2: Owner-manager effort put into planning

Owner-managers were asked to rate the effort they put into planning in the last three years as presented in Section 6.3. A multiple regression analysis was performed to investigate any relationships that may exist. The results are presented in Table 9.9.

Table 9.9 Owner-manager planning effort regression variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean (n=56)</th>
<th>Standard Deviation</th>
<th>Correlations: Owner Education Level</th>
<th>Owner Age</th>
<th>Planning Benefit</th>
<th>Numeracy Skills</th>
<th>Computer Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Planning Effort</td>
<td>3.09</td>
<td>1.15</td>
<td>0.11</td>
<td>0.10</td>
<td>0.50 **</td>
<td>0.51 **</td>
<td>0.49 **</td>
</tr>
<tr>
<td>Predictor Variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner Education Level</td>
<td>1.93</td>
<td>0.89</td>
<td>- -</td>
<td>0.74 *</td>
<td>0.24*</td>
<td>0.42 **</td>
<td>0.51 **</td>
</tr>
<tr>
<td>Owner Age</td>
<td>45.0</td>
<td>10.57</td>
<td>- -</td>
<td>0.08</td>
<td>0.10</td>
<td>-0.04 **</td>
<td></td>
</tr>
<tr>
<td>Planning Benefit</td>
<td>2.93</td>
<td>1.49</td>
<td>- -</td>
<td>0.17</td>
<td>0.17 **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numeracy Skills</td>
<td>4.30</td>
<td>0.893</td>
<td>- -</td>
<td>0.49 **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Skills</td>
<td>3.23</td>
<td>1.78</td>
<td>- -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n=56* - significant (p<0.05), **- significant (p<0.01).

The analysis presented in Table 9.10 revealed that Owner Education Level, Owner Age, Owner Perceived Planning Benefit, Numeracy skills and Computer skills significantly predicted owner-manager planning effort. The $R^2$ was 0.53 indicating that 53% of the variance in Owner Planning Effort was explained by the model. The negative relationship between Owner Education Level and Owner Planning Effort was not expected and is difficult to explain.
### Table 9.10: Multiple regression analysis summary

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Standard Error</th>
<th>t test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Education Level</td>
<td>-0.456</td>
<td>0.16</td>
<td>-2.850 **</td>
</tr>
<tr>
<td>Owner Age</td>
<td>0.018</td>
<td>0.011</td>
<td>1.646</td>
</tr>
<tr>
<td>Perceived Planning Benefit</td>
<td>0.283</td>
<td>0.085</td>
<td>3.329 **</td>
</tr>
<tr>
<td>Numeracy Skills</td>
<td>0.573</td>
<td>0.147</td>
<td>3.868 **</td>
</tr>
<tr>
<td>Computer Skills</td>
<td>0.189</td>
<td>0.087</td>
<td>2.172 *</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.751</td>
<td>0.740</td>
<td></td>
</tr>
</tbody>
</table>

Note: $R^2 = 0.53; \ F(5,50) = 11.33, p< 0.001, ^*\text{-} \text{ significant (p< 0.05)}, ^{**}\text{-} \text{ significant (p<0.01)}.$

### 9.12.3: Planning Level

Three levels of planning were recognised in this project: informal planning, partial planning and formal planning. Assigning a planning level of “1”, “2” or “3” respectively to each firm according to the level of planning undertaken provided the dependent variable to allow the testing or a relationship with 12 independent variables. The results are presented in Table 9.11.
The results of the regression analysis can be found in Table 9.12. A significant model was developed with an $R^2$ of 0.602 indicating that Planning Effort, Perceived Planning Benefit and Annual Turnover can explain 60% of the variance in Planning Level. This result is consistent with analyses already presented. It was expected that computer literacy and possibly literacy would also be included in the model but all regression methods tested excluded these independent variables.
9.13: Chapter Summary

The effort devoted to planning was not influenced by the size of the firm as measured by the number of staff employed or annual turnover. Rather, it appears that many owner-managers engaged in planning activities as a result of one of the five planning triggers identified. Extending the concept of hindrances and hurdles to planning discussed in Chapter 8, three disincentives to planning were identified.

Planning triggers that inspired owner-managers to recognise the need to enter into a formal planning activity were identified. The concept of planning triggers suggests that informal planning or partial planning is the normal planning paradigm for many owner-managers in the sample. Planning is only undertaken when a planning trigger emerges for all or part of the business. Once that scenario is resolved, the owner-manager returns to the normal non-formal planning management approach.

An analysis of the differences between formal planners and non-formal planners revealed differences in numeracy scores and significant differences in computer literacy scores. Further investigation into the impact of computer literacy levels and numeracy scores on management by owner-managers is recommended.

Regression analysis was used to develop three models which showed that there were statistically significant relationships between level of planning undertaken, perceived benefit of planning, owner-manager education level and owner-manager numeracy level.
The next chapter commences the final section of this thesis that discusses the application of the results of the study to business theory.
Chapter 10: Discussion and Conclusion

10.1: Introduction

The final chapter in this thesis reviews the implications to professional practice of the findings presented, outlines some of the limits of the research and makes recommendations for areas requiring further work.

10.2: Implications for Business Theory

It is easy to suggest that businesses that do not produce formal planning documents do so because of a lack of vision for the business. Mintzberg et al (1998, p.11) saw it otherwise and the concept of emergent strategy was introduced. However, emergent strategy, as they defined it, was effectively a series of *ad hoc* decisions that realised into a consistent pattern of decision or behaviour. Ansoff (1987, p.501) proposed that the various schools of strategy appeared to be studying the same thing: namely the logic which guides the process by which organisations adapt to their external environment. Arguing that the process of strategic adaptation is essentially organic and best left unmanaged, it was recognised that others disagreed.

Only 32% of owner-managers interviewed in this project chose to prepare formal plans. The size or the annual turnover of the firm did not influence the effort placed into planning. Personal characteristics of the owner-manager such as computer literacy,
numeracy skills and understanding of the benefits of planning were lower for those owner-managers who did not prepare formal plans compared to those who did.

The suggestion that owner-managers who do not prepare formal plans do not plan at all, is probably wrong. The majority of owner-managers interviewed had formulated objectives, core business models and operational plans for their businesses in their minds. Most had discussed these plans with family members, staff, accountants and others.

The literature suggests that emergent strategy is an unintended outcome of more deliberate management. It is the modification of plans in the face of reality. Mintzberg et al (1998, p.189) suggested that much of the strategy literature is “riveted on the realisation of explicit intentions” thus it has a focus on implementation of deliberate strategy expressed in formal plans. Emergent strategy is more focused on the way plans are formulated in the light of strategic learning in the changing context of a dynamic environment (Lowe and Jones 2004, p.1317). For Lowe and Jones (2004, p.1317) emergent strategy was based on the organisation’s ability to experiment within a space to innovate.

Ansoff (1980) argues that another approach to strategy is based in prescriptive design: the Design School. Strategy formation is part of the management process and does not just emerge. The formulation time is clear for businesses that produce formal plans but is less obvious for those managers who do not produce formal planning documents or plan for
only parts of their operations.

A constructionist view is more extreme, arguing that all strategy is emergent since the very process of communication and learning can only be achieved through a socially constructed and subjective process of discourse (Lowe and Jones 2004, p.1318). The specific focus of this project on the planning processes of a sample of small business owner-managers identified a specific refinement in the strategy model of Mintzberg needed to accommodate much of the approach to planning encountered.

The approach to planning by owner-managers observed during this project suggests that they move between schools with relative ease depending on the planning triggers active at that point of time. Some owner-managers preferred to plan since they enjoyed the cognitive processes involved in plan preparation and the checks and performance indicators that subsequently emerged. Ansoff (1991, p.456) suggested that managers formulate strategy because they are unsure of the future and cannot assume it will be an extrapolation of the past.

Based on the findings of this research, a model to better explain the processes exposed was developed and is shown in Figure 10.1. The Owner managed small business strategy and Planning Model extends the concept of Emergent Strategy to distinguish between decisions based on unwritten, mental plans and ad hoc reactive decisions and recognising that Ansoff (1991)’s design school has relevance. Communication is easier in micro and
small businesses compared to large corporations since the owner-manager needs only to
discuss ideas with a very small group of people. The owner-manager in a small firm is
very powerful within the firm since they have control of human resources, operations,
marketing, infrastructure and training resources as well as strategic directions and they
are also the lead entrepreneur; effectively a one-stop company executive and board.

The ability of small operations to respond to opportunity and change makes them
attractive to large businesses wishing to out-source operations. The owner-manager has
the opportunity to make large decisions without Board approval and some of the other
constraints that would slow the response for a large corporation.
Figure 10.1: Owner managed small business strategy and planning model

Intended strategy requires pre-specification of direction as evidenced by the production of strategy documents such as SWOT analysis, key performance indicators, core and mission statements, objectives, budgets, programs and operating plans (Mintzberg 2000, pp.36-37,39,42). The Steiner model (summarised in Mintzberg 2000, pp.46-49) requires
the production of a series of plans looking at different time frames from short to long term budgets, functional plans, targets, and schedules. Large public corporations need detailed plans to communicate broad strategic directives. The “top-down” approach pervades with objectives, strategies, programs, initiatives and budgets being created and/or approved by executive management for implementation by operational staff as supervised by middle management. The huge investment in preparing, endorsing and distributing the planning documentation needed is not required in owner managed small business since the policy maker and coal-face supervisor are often the same person.

Investigations of approaches to planning in this project showed that successful owner-managers that do not formally plan can be accommodated by the Mintzberg model with an extension to accommodate zero and partial planning as follows:

1: **A conscious decision not to develop formal plans:**

The owner-manager decides early on that, for what ever reason, there is no benefit in formal planning. Alternatively, the owner-manager is very busy with operational management and planning has a very low priority against keeping machinery running, getting contracts and managing labouring staff. The owner-manager is happy, experienced and secure with the business as it is at the moment. The business is very successful in non-conventional terms but has not grown much for some time and there are no expansion plans. Successful, non-planning firms would have adopted strategies suited to a firm operating with zero
or only rudimentary strategic insight such as:

- Maintaining zero or low debt if possible,
- Employing casual or seasonal labour in favour of a permanent workforce,
- Outsourcing and contracting some activities,
- Maintaining low infrastructure investment in buildings, depots and yards with many operations working from home or very basic depots, and
- Leasing plant and running equipment to the extreme of its useful life.

To summarise, the strategy adopted is that there will be no planning. Adopting this approach renders all strategic planning models inapplicable. However, the owner-manager can easily rejoin by simply starting to think and plan for the future.

2: Recognition of partial plans

Most owner-managers interviewed had strong visions for their operations, clear understandings of their core business and mission and operational direction without needing to write formal planning documents. Classical strategy literature uses documentation as evidence of strategic thinking and management. While documentation is needed to communicate strategy in large organisations, small and micro-business can be less formal yet still effective. For many of the owner-managers interviewed, partial, unwritten plans effectively take the place of much of the documentation needed by large corporations business.
3: Intended and Emergent strategies based on partial planning rather than formal plans

Mintzberg’s (2000, pp.24-27) three cases of strategy (intended, emergent and realised strategy) are based on expressed plans which are distributed down the management hierarchy to communicate the vision the board has for the corporation. A deviation applicable to owner-manager operated small business is proposed. Once partial plans are included in the model, it becomes possible for intended, emergent and realised strategies to be based on non-formal plans. Two additional levels of strategy are needed:

- **Partial Intended Strategy:**
  Plans for the future based on partial planning processes

- **Partial Emergent Strategy:**
  Decisions taken that conform with core values of the firm but not originally considered in the partial plans.

One partial intended strategy could be to rely on partial plans or no plans until a planning trigger emerges at which time the planning paradigm for the firm changes into a conventional planning approach. On resolution of the scenario that caused the planning trigger, the owner-manager resumes relying on emergent strategy. The owner-manager does not need to develop formal plans for routine, familiar activities and focuses on operational management.

This model reflects the observations and findings of the research undertaken in this
project and enables strategy theory to better explain contemporary practice of the owner-managers observed.

### 10.2.1: Does *ad hoc* management really exist?

Upton *et al* (2001 p.60) listed eleven works that suggest that business and strategic planning is critical for success, growth and performance of small business. For listed companies, plans and budgets are a legal requirement. Owner-managed businesses are different. Their reporting requirement is financial and tax based. Many owner-managers see administration as an unfortunate necessity of business that pulls them away from making money by doing “real work”. This project identified hindrances, hurdles and disincentives to planning by owner-managers. Each has a negative influence and these combined have a cumulative effect to discourage the owner-manager from planning until a planning trigger makes the owner-manager re-prioritise their work schedule to accommodate resourcing the development of the planning documents required.

Many of the small businesses included in this study showed remarkable flexibility. The structure used in this project suggests owner-managers fit into one of three groups: formal planners, partial planners and *ad hoc* decision makers. Fieldwork suggested that some owner-managers operate in two and possibly three of these groups at once for different aspects and activities of their business.
Strategy can also be a pattern of behaviour which can be influenced by personal characteristics of the owner. The owner-manager will show a consistency in decisions based on context and situation. To be truly *ad hoc*, the owner-manager would need to have a low level of development as a leader, entrepreneur and manager. A person with low level development would be influenced by external pressures particularly from people they associate with. As this is rarely only one person, the owner-manager may exhibit a randomness of strategy based on who has the greatest influence at the time. It could be argued that this is not random decision making but decision making influenced by external factors. This type of management is unlikely to result in a successful business.

Further research is needed to better investigate the ability of small business owner-managers to switch between planning models and the possibility that true random decision making is just not possible.

**10.2.2: What is a small business?**

Conventional measures of business size have proved imprecise and ineffective when applied to small businesses operating in the current employment and business environment. Measures based on turnover, staff numbers or profit are difficult to accurately develop or measure and add little value to the understanding of the company size. This study chose to investigate owner managed small business in the forestry sector.
Firms included in the study required a degree of owner-manager participation for coal face decisions. As a firm gets larger, the owner-manager must introduce layers of management to oversee day to day operations. The levels of management between production and the owner-manager can be measured in degrees of separation between the owner-manager and production. This study only included owner-managers who were within three degrees of separation of production. Further research is needed to confirm the concept that owner managed small business with four or more levels of management between the owner-manager and production will behave more like a conventional listed company than the type of business investigated in this study.

10.2.3: Developing performance measures applicable to small business

Public companies usually measure success by measuring change in shareholder wealth. More recently, the value of good corporate citizenship has become recognised and the triple bottom line has been accepted as a measure of corporate performance. Measures of success for small and family business are more complex. The numerous other objectives that owner-managers of small businesses have result in a more complex matrix of possible performance measures.

Mishra and McConaughty (1999) reported that maintaining family control of the business and avoiding debt were prime objectives of family firms. Participants in this study
discussed a number of reasons why they remain in owner-operated business including:

- Not having to work for a boss,
- Deriving an income in regional Victoria when jobs were hard to find,
- Securing employment for children and other family members enabling them to maintain contact with the family and supporting them in a less rigorous working environment than would be expected in a conventional workplace.
- Doing what they were trained to do with the reward of being a business owner.
- Investing in a business to accumulate assets for retirement.

More research is needed to develop a set of performance measures for regionally based, owner managed small businesses.

10.2.4: Effort devoted to planning

This study revealed that small businesses in this sample did not increase the effort devoted to planning as the size of the firm increases (while recognising that all firms in the sample were small businesses). Further investigation is needed to understand this contradiction to common sense and theory.

10.2.5: Planning hurdles, hindrances and triggers

This project identified various planning hurdles, hindrances and triggers based on a small and specialised sample. The concepts underlying this approach to rationalising planning outcomes observed should be further developed and tested with a wider cross-section of
owner managed small business.

**10.3: Application to other business sectors**

The research reported here is focused on small business owner-managers in the forestry sector. Restricting the sample to a precisely defined group enabled trends and characteristics to be clearly identified at the expense of being able to draw more extensive conclusions. However, examination of the characteristics of the sample shows that:

- most work is undertaken in a location not owned by the firm and some distance from the firm office;
- the office and work site are separated so there is a need to travel to the place where work is undertaken;
- work is required on a number of sites in a variety of locations;
- there may be others able to do similar work in the region;
- price competition creates a trade-off between short and long term objectives of getting work and staying in business;
- lifestyle, employment of family and other factors beyond wealth creation influence business decisions; and
- in many cases no qualification is required but vocational qualifications are most common.

These characteristics are not unique to the forestry sector. It is possible that similar approaches to planning can be found in owner-managers operating in many sectors including the:

- agriculture sector such as harvesting contractors, shearing contractors,
fertiliser spreading services, fencing contractors,

- transport sector: long haul owner drivers, taxi truck owner-managers, owner-manager couriers, taxi owner-managers.
- domestic services sector such as garden maintenance, handyman services, fencing contractors, pet washing franchises, house cleaning, appliance servicing, landscaping, roof maintenance.
- building trades especially sub-contractors, and
- mobile mechanics.

This is a significant group and justifies further research to apply and refine the strategy model for owner managed small business developed in this thesis.

10.4: Further work

This research facilitates further research that could build on the theoretical framework, methodology or database.

10.4.1: Extension to Mintzberg’s strategy model

Strategy theory has been relatively static since the rapid developments of the 1980s and 1990s. The work of Mintzberg et al (1998), and Mintzberg (2000) marked the decrease in theory development and subsequent research has mostly been ethnographic and case-study based designed to confirm rather than extend and refine the existing theory (such as
Lowe and Jones 2004). The extension of Mintzberg’s strategy model proposed here needs to be exposed to refinement and peer review that will come with further research.

### 10.4.2: Investigate the form and frequency of concurrent planning approaches occurring in one business

The research presented here focuses on a singular approach to work and planning. It assumes that owner-managers are involved in only one activity or linear integrated activities such as felling, snigging, loading and transporting of logs. The reality is that many owner-managers are active in a number of initiatives that may or may not be linked. Examples of owner-managers who were successful farmers as well as running contracting activities in the forestry sector and elsewhere were found.

Other examples identified during data collection included operating:

- water tankers and school buses,
- a commercial nursery and a seedling planting service, and
- a number of bulldozers as well as operating a heavy vehicle float service and a bulldozer sales and repair service.

There is no reason to assume that all activities within a firm receive a similar level of planning. It is quite possible that an owner-manager who has grown and expanded a business they are familiar with may not undertake formal planning but a new venture
would be supported by formal business plans (especially if finance is required). Hence it is quite possible that one business has two or more approaches to planning running concurrently. Similarly, planning triggers may apply to part or whole of the business.

10.4.3: Investigating owner-managers who only partially plan

The investigation found that the 7% of owner-managers that developed formal business plans and were strong advocates of the benefit of planning for parts of their business also relied on partial and mental plans for other parts of their business as a whole as discussed in Section 7.5. These owner-managers are a special case as they can formally plan but choose not to do so for parts of their operations. Further investigation into the grounds for selecting which parts of the business needs planning and which does not would develop an insight into the reasons an owner-manager chooses to formally plan given they possess all the necessary literacy, numeracy knowledge and experience.

10.4.4: Extending the results of this study

The sample of contractors included in this study worked in the forestry sector in Victoria. It is not possible to comment on the demographics or planning practices of forestry contractors in Australia without undertaking further study. There are benefits from understanding the characteristics of contractors in the forestry sector as a whole since
training and education initiatives may arise as a consequence of this study which should be applied beyond Victoria.

10.4.5: Defining small business

The degree of separation between production and owner-manager emerged as a possible way to indicate if business was really “owner managed”. Firms or divisions with more than three degrees of separation between the owner-manager and production may not conform to the findings presented here since the communication needs are more aligned to those of big business than small business. Refinement and development of this approach to defining an owner managed business may contribute to a more rigorous definition of small business than exists at the moment.

10.4.6: Measuring size of the business based on number of employees

The complexity and flexibility of contemporary employment relationships revealed by this survey make it difficult to estimate nominal full-time employment equivalents. This study used EFTE as only one guide for quantifying business size so highly accurate numbers would have been useful but not essential to the analysis. However, an important area for further research is to define a more reliable and accurate way of estimating the number of employees, contractors and other service providers to a small business.
10.4.7: Improving planning by owner-managers

This project showed that owner-managed businesses with turnovers in excess of $5m that did not have even the most basic budgets or operational plans were common. Many of these operations had developed from small beginnings with incremental growth over time. Starting small, the owner-manager was often the operator.

Bigger operations incur increased management demands. The owner-managers, however, feel more comfortable at the coal face, engaged in production and day to day operational decisions. The “seat of the pants” approach has worked and the owner-manager has become quite skilled at managing from mental plans. While these businesses are successful, no indication is available of the number of businesses using a similar planning approach that have failed. Further, it is not possible to estimate the level of success that might have been achieved if the business had adopted a formal planning model.

The literature is not conclusive about the benefits of planning for small, owner-managed firms and this study exposed a number of examples of firms that, according to anecdotal evidence and a commonly held interpretation of business theory, should not be viably operating.

Further, the qualities of strategic processes or decisions were not investigated in this study. An analysis starting with the rigour and completeness of the information gathering
process prior to developing and evaluating strategic options would be the initial phase of an investigation that should lead to an improvement in the quality of the strategic process. A review of owner-managers’ understanding and use of quantitative analysis techniques from the very basic techniques such as probability analysis or calculation of present net worth to more sophisticated techniques such as scenario analysis or Delphi techniques would contribute to understanding of their needs and training priorities.

This study found that owner-manager numeracy and computer literacy (and possibly literacy) levels were correlated and an increase in these skills should increase the number of owner-managers who develop formal plans. A detailed study to investigate the link between computer literacy and numeracy skills and the development of formal plans will give an insight into ways to support small business owner-managers to do more formal planning. Vargiam and Krayhill (1994, p.574) suggested that training in planning for owner-managers of small rural-based businesses had two benefits. Firstly it may convince some owner-managers of the importance of planning and would also equip the owner-managers with the skills necessary. This study suggests that training in planning alone will not have much impact towards increasing the level of planning undertaken. Owner-managers also need training in computer skills and possibly numeracy, to increase the level of planning.

It would be easy to suggest that increasing computer literacy levels of owner-managers will result in increased levels of planning. Contractors had a significantly lower level of
computer literacy than Consultants. It is not clear if many Contractors would make the
time available to become computer literate and develop the skills needed to use a
computer effectively and then sit down, close the door, turn the phone off and write
plans. Rather, innovative planning aids that recognise the type of people involved needs
to be developed.

This study also showed that owner-managers who did not plan had a low opinion of the
benefits that arise from planning. A more detailed investigation into the different
perceptions of the value of planning held by owner-managers who plan compared to
owner-managers who do not plan would provide an insight into some reasons that need to
be addressed to encourage more owner-managers to plan.

10.5: Limitations of the Study

There are some limitations to this research. Firstly, this study does not review the impact
of owner-manager planning on firm performance. Obtaining useful data that reflects the
multitude of financial and non-financial objectives that can influence regionally based,
owner-managed small businesses to relate to the level of planning undertaken would be
the next logical but exceedingly difficult to conduct research on this topic. To complete
the picture, an analysis of the planning approaches adopted by similar but failed small
businesses would be needed for a complete review. Locating the owner-managers of
failed businesses willing to be interviewed about their failure would be difficult.
Secondly, the population for this research was limited to firms working in a specific sector in a specific region due to time and financial constraints. Finally, this research was undertaken at a time of rapidly increasing fuel prices which may have caused many owner-managers to be more concerned about the viability of their operations than in a time of stable consumable prices hence more likely to plan due to uncertainty.

10.6: Implications for Management

The following implications for management have emerged during the study. They are presented as a combination of outcomes from the formal analyses and observations by the researcher during the data collection process and are offered for consideration by management and other stakeholders.

10.6.1: Communicating the legitimacy of partial plans to small business

Owner-managers often reported feeling that planning was not a good use of time or resources. This study showed that the amount of planning undertaken is directly related to the value of planning perceived by the owner-manager.

- A training program and supporting material should be developed to create an awareness of the expanded model of planning and the legitimacy of partial planning with the view of showing the ease that partial planning can be extended
to become formal planning.

10.6.2: Presenting the findings from this study to the sector

Participants in the study commented that they had helped with numerous investigations and research and never heard of the results. They are interested in studies into their industry and wish to hear about findings and recommendations that will contribute to improved practice.

- Communicate the findings of this study to industry via a number of informative articles in the appropriate trade journals and presenting the findings to industry forums for discussion by the sample group.

10.6.3: Developing a set of planning templates to assist with preparing formal plans

Owners reported that a set of templates that could be used as a starting point for their planning would assist them in understanding the types of data they should be collecting, the thinking they should be doing and the various forms a business plan can take. The study found that many owner-managers did not have the computer skills necessary to make use of common software such as word processing and spreadsheets. While the solution could be to increase the computer skill levels of owner-managers, it is quite possible that this will not result in increased levels of planning because planning has a low priority and is hard for owner-managers to do.
An alternative solution would be to develop an approach to business planning that is very user-friendly and requires only low levels of computer skills with the view of making planning more accessible to owner-managers rather than training the owner-managers to get them skilled to use complex software packages.

- A set of computer based templates covering the basic aspects of strategic and business planning be developed and distributed to small business owner-managers in the forestry sector.
- An innovative research and development program be established to develop ways to make planning processes and outcomes more accessible to busy, low-level computer skilled owner-managers.

10.6.4: Develop a management training approach to meet the needs of small business owner-managers

The level of business management training experienced by owner-managers in this study was very low. Many managers commented that they considered their lack of business training a disadvantage to business expansion.

- A management training program for small business owner-managers should be developed and made available in regional locations.
10.6.5: Investigating innovative computer training methods and materials suitable for small business owner-managers

Many owner-managers recognised that they need to develop their computing skills if they are going to take advantage of developing technologies, contemporary communication vehicles and manage their businesses effectively. Comments were also made about bad experiences when attending computer classes due to poor quality, unsuitability of content and lack of industry background of instructors.

- There is an urgent need to develop and offer a computer training program that will be attractive and available to owner-managers similar to those sampled in this project.

10.7: Summary of Main Findings

The main findings reported in this thesis include:

- There are many successful small business owner-managers who do not formally plan.
- Many owner-managers have goals additional to wealth creation.
- Owner-managers are reluctant to undertaking planning because of planning hindrances and hurdles.
- Owner-managers that do not normally plan usually decide to commit to planning when one or more “planning triggers” occur.
- Computer literacy, concept of the value of planning and numeracy levels
have a significant influence on the level of planning undertaken.

- No indication was found that suggested higher levels of planning were related to business success as indicated by annual turnover or number of staff employed.
- Improved levels of planning will be achieved by developing planning technologies that are suited to owner-managers’ characteristics.

10.8: Conclusions

This thesis reports on an investigation of the following research question:

1: What were the practices of business planning by small, owner-managed enterprises in the Victorian forest growing and harvesting sector?

Secondary research questions investigated included:

2a: What was the education background, business skill level and demographics of owner-managers in the forestry sector in Victoria?

2b: Was there a difference in planning frequency and practice between small capitalisation operations and operations which require costly machinery?

2c: Is there a relationship between the sophistication of the planning approach and the education level of owner-manager?

The results reported show that many owner-managers of small businesses approach planning in ways that do not conform to generally accepted business best practice. Much of the planning undertaken was on an informal level. Often formal planning was only undertaken for a finite period when a reason to plan emerged. Further, the level of planning undertaken was not related to education level of the owner-manager,
capitalisation of the business or size of the business. Some substantial businesses in the sample were observed to be operating successfully with only rudimentary planning. This would suggest that a review of either the definitions of planning or the ground rule that planning is necessary for business success needs review.

This study also contributes to the understanding of small business owner-managers by exploring the relationship between planning undertaken, owner-manager education level and management/technical skill base, firm size and family input into planning. Some clear correlations were established. This study also reveals many relationships that may have an influence on planning by owner-managers that justify further investigation.
Part 4: References and Appendices

References

Appendix 1: Questionnaire

Appendix 2: Invitation Letter
References:


Lewis, A.V. (1997). Factors influencing the adoption of computer-based management information and decision support systems by Australian farmers, Swinburne University of Technology.


Appendix 1: Questionnaire

Forest Sector Small Business Planning Research Project:

Respondent No: _________
Interview Date: _________

Thank you for agreeing to participate in this study which is concerned with the way you make decisions for your business. In this study there are no correct or incorrect answers. We want to find out, as accurately as possible, what you do. The study will result in a picture of the planning done by owner operated businesses in the forestry sector. So please be honest with your answers.

The information you provide is confidential. You will not be identified in any way. All results will be pooled and analysed as a population without reference to individual responses.

The survey is divided into 6 parts. The first section looks at the type of work you do. Section 2 is interested in the way you think about the future. Section 3 is for those who produce a formal planning document (such as a business plan) while Section 4 is for those who do not. Sections 5 and 6 complete the picture by looking at your goals for the business and your background.

You can elect to receive a summary of the results.

Many thanks for your help. Your contribution is valuable to the project.

Peter Shepherd
# Section 1: Type of work undertaken

## 1.1. What type of forestry work has your business done in the last 3 years?

<table>
<thead>
<tr>
<th>Type of Work</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>Extensively</th>
</tr>
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<td>a) site preparation</td>
<td>1</td>
<td>2</td>
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<td>5</td>
<td></td>
</tr>
<tr>
<td>b) planting</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>c) weed control</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>d) fertilising</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>e) inventory</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>f) harvesting</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>g) site surveys</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>h) nursery</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>i) fire prevention/fighting</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>j) pruning</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>k) log haulage</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Other: please specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>l)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>m)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

## 1.2. In the last 3 years who has contracted/employed you:

<table>
<thead>
<tr>
<th>Type of Employ</th>
<th>Never</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Extensively</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Victorian Government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>b) Local government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>c) Private owner</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>d) Plantation Prospectus Company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>e) Land Care/CMA</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Other: please specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>g)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

## 1.3. Have you done work in States other than Victoria in the last 3 years?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

## 1.4. If yes, which States and how much (% of all jobs for that year):

<table>
<thead>
<tr>
<th>State</th>
<th>% of all work</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## 1.5. How many paid staff (not including family members) do you employ/use as:

- seasonal casuals – field:__________________________
- part-time – field:______________________________
- full time permanent – field:________________________
- contractors – field:______________________________
- Office/clerical/administration – full time:________________________
- Office/clerical/administration – part time:________________________
- Office/clerical/administration – contract/outsourced:________________________
1.6. How many family members other than you help as:
Family members unpaid – office/administration:_________________
Family members paid – office/administration:_________________
Family members unpaid – field:__________________________
Family members paid – field:____________________________
Family management unpaid:_____________________________
Family management paid:_______________________________
Other (please specify):______________________________

1.7. Please estimate the total number of full time staff positions on your payroll last year?
___________people.

1.8. What was your annual turnover (most recent figure available)?
   a) $0-$100,000
   b) $100,001 - $500,000
   c) $500,001 - $1,000,000
   d) $1,000,001 - $1,500,000
   e) $1,500,001 - $2,000,000
   f) $2,000,001 - $3,000,000
   g) $3,000,001 - $5,000,000
   h) more than $5,000,000

1.9. What large plant and equipment is owned/leased by your Company?
   a) Cars and utes (including 4WD)
   b) Quads and trail bikes
   c) Specialised and heavy equipment
      as detailed below:
      __________________________________________________________________________
      __________________________________________________________________________
      __________________________________________________________________________
      __________________________________________________________________________

1.10. How do you find out about new contracts?

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>1-3</th>
<th>4-6</th>
<th>7-9</th>
<th>10 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Direct invitation from forest manager</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Direct invitation from a contractor</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Media advertisement</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Internet</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Word of mouth</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Industry newsletter</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: please specify</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) _________________</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) _________________</td>
<td>1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 1

1.11. Please describe how the contracts you get are usually won/awarded?

-------------------------------------------------------------------------------------------------

-------------------------------------------------------------------------------------------------

-------------------------------------------------------------------------------------------------

-------------------------------------------------------------------------------------------------

Please go to Section 2.
Section 2: Planning History

For this study planning is defined as thinking about future directions, initiatives, threats and opportunities.

2.1. Has this firm done any planning in the last 3 years?

Yes ☐ No ☐

If “yes” go to 2.2. If “no” go to Section 4.

2.2. How much effort has gone into planning?

None ☐ 1 2 3 4 5 Large amounts

2.3. What time frames are included in your thinking:

a) Short term (0 – 1 year) Yes ☐ No ☐
b) Medium term (1 – 3 years) ☐
c) Long term (3 – 5 years) ☐
d) Very long term (5 – 10 years) ☐

2.4. In the last 3 years have you discussed your plans with any other people?

Yes ☐ No ☐

If “yes” go to 2.5 If “no” go to 2.7

2.5. Have you discussed….? Never 1 2 3 4 5

a) Company goals
b) Roles for family members
c) Vision for company in 5+ years
d) Ways to achieve a vision
e) Purchase/lease of plant or equipment
f) Purchase/lease of office or yard
g) Financing day to day operations
h) Going into a new business activity
i) Putting on new staff
j) Threats to your business
k) Expansion and opportunities
l) Training needs
m) Changing laws or regulations
Other topics: please specify
n) ☐ o) ☐

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Appendix 1

2.6. Who do you have discussions about your business with?

Family members:

<table>
<thead>
<tr>
<th>Exist: yes</th>
<th>Never</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) spouse/partner</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>b) brother/sister</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>c) son/daughter</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>d) father/mother</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>Other relations: please specify</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>e) _______________</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>f) _______________</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
</tbody>
</table>

Others:

<table>
<thead>
<tr>
<th>Exist: yes</th>
<th>Never</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>g) accountant</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>h) business partner</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>i) financial adviser</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>j) business advisor</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>k) staff</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>l) friends</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>Other non-family: please specify</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>m) _______________</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
<tr>
<td>n) _______________</td>
<td>1  2  3  4  5</td>
<td></td>
</tr>
</tbody>
</table>

2.7. Was any of your planning in the last 3 years written down?

Yes   No

If “yes” go to 2.8 If “no” go to Section 4.

2.8. What was written down:

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Company goals</td>
<td></td>
</tr>
<tr>
<td>b) Vision/Mission Statement</td>
<td></td>
</tr>
<tr>
<td>c) Strategies</td>
<td></td>
</tr>
<tr>
<td>d) Organisation’s strengths</td>
<td></td>
</tr>
<tr>
<td>e) Organisation’s weaknesses</td>
<td></td>
</tr>
<tr>
<td>f) Threats to the firm</td>
<td></td>
</tr>
<tr>
<td>g) Opportunities</td>
<td></td>
</tr>
<tr>
<td>h) Staff development plans</td>
<td></td>
</tr>
<tr>
<td>i) Competitor analysis</td>
<td></td>
</tr>
<tr>
<td>j) Client analysis</td>
<td></td>
</tr>
<tr>
<td>k) Critical success factors</td>
<td></td>
</tr>
<tr>
<td>l) Risk management</td>
<td></td>
</tr>
<tr>
<td>m) Quality assurance initiatives</td>
<td></td>
</tr>
<tr>
<td>n) OH&amp;S initiatives</td>
<td></td>
</tr>
<tr>
<td>o) Key strategies for growth</td>
<td></td>
</tr>
<tr>
<td>p) Organisation/technology improvement</td>
<td></td>
</tr>
<tr>
<td>q) Current annual budget</td>
<td></td>
</tr>
<tr>
<td>r) Current assets/liabilities</td>
<td></td>
</tr>
<tr>
<td>s) Asset purchase/management</td>
<td></td>
</tr>
<tr>
<td>t) Financial predictions</td>
<td></td>
</tr>
</tbody>
</table>
u) Financial targets  

v) Growth targets  

2.9. Was the outcome of the planning pulled together into a document(s)?
    (i.e. plans, budgets and/or proposals)
    
    Yes ☐ No ☐
    If “Yes” go to Section 3 If “no” go to Section 4.
Section 3: Planning Documentation

3.1. Which of the following reasons or factors influenced your decision to produce a document?

<table>
<thead>
<tr>
<th>Reason/Factor</th>
<th>Not Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Finance or funding application</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>b) Tax requirement</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>c) Good business practice</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>d) Helps with growth</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>e) Suggested by advisor</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>f) As a reminder</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>g) Writing it was useful</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>Other: please specify</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>h) ______________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) ______________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Is it possible for me to get a copy of the table of contents for the plan?

3.2. Does the planning document include?

<table>
<thead>
<tr>
<th>Topic</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Mission statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Statements of objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Core business statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) SWOT Analysis (or similar)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Future directions for firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Future strategies and tactics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Financial statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Financial predictions/targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Risk analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other topics: please specify</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j) ______________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k) ______________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.3. Age and life of the plan:

3.3.1 When did you first write this plan: ______________

3.3.2 How often do you revise your plans? ______________

3.4. Who helped research and write the latest plan?

<table>
<thead>
<tr>
<th>Helper</th>
<th>No involvement</th>
<th>Major involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) owner</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>b) family member(s)</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>c) consultant(s)</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>d) accountant</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>e) business advisor(s)</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>f) staff</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>g) friend(s)</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>Other: please specify</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>h) ______________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) ______________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.5. What has been done with the plan:
(tick all applicable responses)

a) Nothing
b) Support planning directions
c) Bank/finance application
d) Shown to staff
e) Stored for future reference
f) Shown to possible purchaser
g) Decision making

Other uses: please specify
h) _______________
i) _______________

3.6. Do you think the time and expense of writing the plan was worthwhile?

<table>
<thead>
<tr>
<th>Waste of Time</th>
<th>Very Worthwhile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Please explain why:

______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________

3.7. How could the existing plan be improved? If so how?

______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________

Please proceed to Section 5.
Section 4: No Formal Business Plan

4.1. Do you know what is contained in a business plan?

No idea           Very familiar with business plans
1           2           3           4          5

What would you expect to find in a business plan?

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

4.2. Do you think developing a business plan would be useful for your business?

Not Useful         Very Useful
1        2          3         4         5

Why: ____________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

_________________________________________________________________

4.3. What are the reasons stopping you from preparing a business plan?

<table>
<thead>
<tr>
<th>Reason</th>
<th>No Influence</th>
<th>Big Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>too busy</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>too costly</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>waste of time</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>too hard to write</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>don’t know what’s in it</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>don’t have the data</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>don’t need one</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Other reasons: please specify</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>h)________</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>i)________</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Please proceed to Section 5.
Section 5: Vision for the Business

5.1. Describe developments and changes you want for your firm over the next 5 years?
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

5.2. Do you think this is a strong and driving vision?

<table>
<thead>
<tr>
<th>Vague</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Strong vision</th>
<th>4</th>
<th>5</th>
<th>No Vision</th>
<th>NA</th>
</tr>
</thead>
</table>

Go to Section 6.

5.3. Do you discuss your vision for the business with anyone before you make up your mind?

Yes [ ] No [ ]
If “yes” go to 5.4  If “no” please go to section 6.

5.4. Please describe who, when, how often and what form the discussions take:
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

Please go to Section 6.
Section 6: Background Information
(please feel relaxed about not responding to any questions you are not comfortable with)

6.1. What is your age?

a) 20 – 24
b) 25 – 29
c) 30 – 34
d) 35 – 39
e) 40 – 44
f) 45 – 49
g) 50 – 54
h) 55 – 59
i) 60 – 65
j) greater than 65

6.2. Describe the ownership structure of the business?
   a) Sole Owner    b) Partnership    c) Company    d) Other (describe)

6.3. How many years experience do you have in the industry: ____ years.

6.4. How many years have you been a manager/owner? _________ years.

6.5. What was the highest level of education achieved?
   a) School to year______    b) TAFE Cert/dip    c) Degree or higher

6.6. How would you rate your reading/literacy skills?

Very poor 1 2 3 4 5 Very good

6.7. How would you rate your numeric skills?

Very poor 1 2 3 4 5 Very good

6.8. How do you rate your computer skills with respect to spreadsheets, financial packages and word processing:

Very poor 1 2 3 4 5 Very good
6.9. Where did you pick up the technical field skills you need?

_________________________________________________________________________________________________________________________________________________

6.10. Where did you pick up the management skills you need?

_________________________________________________________________________________________________________________________________________________

6.11. Have you any other comments to make about business planning or the strategic management of your business?

_________________________________________________________________________________________________________________________________________________
Section 7: Conclusion

7.0. Would you like to find out about the results of this study?

Yes [ ] No [ ]

If yes: postal address required.

______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________
______________________________________________________________________________________

Would you be happy to answer some more questions if needed later?:

If yes, please supply contact phone number: ______________

Thank you for contributing to this project. Your data will be processed and grouped so as to remain confidential and untraceable.
Appendix 2: Invitation Letter

My name is Peter Shepherd and I am currently a Doctor of Business Administration student in the School of Business, Faculty of Business at RMIT University. The title of the project I am working on is “Business planning by small enterprises in Victorian forestry sector”. Since I hold a bachelor’s degree and graduate diploma in forest science, a graduate diploma and Master’s degree in education and a diploma in front line management, the University considers I have the suitable back ground to carry out this research. My supervisors are Professor Chris Christodoulou and Dr. Neil Byron.

The aim of the project is to investigate the ways, if any, that forest contractors go about planning the future directions of their businesses and their opinions about the costs and benefits of any formal and/or informal planning they do. About 40 to 60 owner-managers will be asked to participate in the study and give up about 90 minutes of their time so I can meet and have a talk to them about how and why they go about planning the future directions of their business.

I will be taking notes down as we speak but these will not be able to be traced to you and you are assured of complete confidentiality. Your name will not written on any records of interview and the notes taken will not be passed on to anyone. At the end of the project all records of interviews will be destroyed. All the answers will be summarised and combined to enable trends patterns applicable to most contractors to be developed. I will eventually write a report about my findings and all those who participate in the project will get a copy. The data collected will be analysed for my thesis and the results may appear in publications. The results will be reported in a manner which does not enable you to be identified. The reporting will protect your anonymity.

I expect the results of my research will allow us to understand better how businesses like yours do their planning and enable us to develop better ways of supporting, improving and reducing the time and effort required to plan for the future.

I am inviting you to participate in my research. Your participation will involve an interview taking about one and a half hours when we will discuss what you think about business planning and you will describe to me how you go about planning for your activities. Participation in this research is voluntary and you may withdraw at anytime. You can also withdraw any unprocessed data at any time should you wish to do so.

If you have any queries regarding this project please contact my supervisor (Professor Chris Christodoulou phone 03 9859 6072), or the Chair of the RMIT Business Human Research Ethics Sub - committee Professor Robert Brooks, phone 03 9925 5594, email robert.brooks@rmit.edu.au.

Yours Sincerely,

Peter Shepherd