Effect of management on planning response of small firms: roles of risk perception and entrepreneurial orientation

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Statement of Candidate Contribution

To the best of the candidate’s knowledge and belief, the work presented in this PhD thesis is original and is the candidate’s own work, except as acknowledged in the text. The material has not been submitted, either in whole or in part, for a degree at this or any other university.

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Abstract

The primary aim of the thesis was to examine the effect of management on the planning response behaviour of the small firms in the Singaporean motor vehicle industry. It focuses on the roles played by risk perception (RP) and entrepreneurial orientation (EO) in influencing planning decision in the face of environmental uncertainty. More specifically, it examines the interplay between the owner-managers’ perception of the environmental uncertainty and risk, and their planning response (e.g., formal/informal, operational/strategic). In addition, the paper builds on and provides support for the SME planning response typology originally proposed by Mazzarol and Reboud (2009). Despite its geographic and sectoral context, the paper offers findings that can be generalised to a wider population.

Case study data were utilised to investigate how risk perceptions (RP) and the entrepreneurial orientation (EO) of the firm’s owner-manager’s influence their planning response to external opportunities and threats. These were issues raised by Mazzarol and Reboud (2009) in their original study. This research looks into antecedents affecting decisions on strategic planning. For example, the study investigates how owner-managers juggle between the implementation of strategic and operational plans in response to environmental uncertainties and organisational complexities. While an appropriate planning response should lead to better performance, this study does not presume that to be the case in general. The literature shows mixed outcomes in relation to the existence of direct links between planning and performance. Still, this thesis strives to provide insights for owner-managers to realise the needs and the benefits of strategic planning. The latter should contribute to growing their firms or at least to be able to manage the environmental uncertainties for survival.

The study posed six research questions. The first four research questions (RQ1 – RQ4) addressed the Mazzarol and Reboud (2009) typology. The four planning responses found in this typology are related to the three elements of the operational management framework given by D’Ambiose and Muldowney (1988). These elements are the managerial characteristics, organisational configuration and the task environment. The four strategic managerial response types are first, type 1 described as the ‘shopkeeper’ that focuses primarily on informal, operational plans for dealing with simple-certain scenarios. The next (type 2) is the ‘salesman’ who responds to a simple-uncertain scenario with informal, intuitive strategic planning. Type 3 is named the ‘administrator’ as it adopts formal operational planning in the face of complex-certain scenario. Finally there is the ‘CEO’ (type 4) who responds to complex-uncertain situations with formal strategic planning.

In relation to the last two research questions (RQ5 and RQ6) dealing with EO and RP, the cases demonstrate the role played by EO and evolving risk perception in shaping the eventual plans. The simple structure of these firms reduces the overall level of complexity within the owner’s task environment. Their boundary spanning with lead customers and key suppliers helps them moderate any perceived risk by obtaining information useful to their assessment of potential threats and opportunities. In most cases, the owner-managers’ perceived risks were moderated by external network of which exist long-standing social capital. That is, all important planning decisions made by any owner-manager incorporate collaborative input from within or without the firm.
Also, the mind-set of the owner-manager, as evidenced by owner-manager ‘F’ may lead them to ignore or at least fail to assess potential risks due to indifference towards environmental volatility.

This study found a negative relationship between the RP of the owner-managers and their adjoining risk-taking behaviour. That is, high RP should be accompanied by a planning response that focuses on formalised strategic planning. On the other hand, planning is more operational when the risk posed by environmental contingencies is perceived to be low. Further, EO seems to moderate the RP such that higher EO increases risk-taking behaviour by lowering the perceived risk. Conversely, owner-managers with low EO level are associated with risk-averse behaviour.

The descriptive stories from the nine cases were examined via a cross-case analysis. These cases were detailed as a series of ‘vignettes’ along with representative interview data. It suggests that there were broadly two groups of owner-managers, those considered dynamic (i.e., cases D, E, I, J and L), and those considered as static (i.e., cases F, G, H and K). A strikingly common feature among all these firms was that they were influenced by outsiders in their risk perception of the task environment. Boundary-spanning activities were intrinsically important. All firms appeared to be competent in relationship-building and social skills. Another common pattern was that all the owner-managers thought formal planning was not as important as the execution of plan. As long as they continued to be able to engage their boundary-spanning activities, their business could at least maintain itself. The static cases F, G, I and K could be described as engaged in a process of “struggle to juggle”. These relatively more static group of owner-managers lacked vision and long term thinking; they simply struggled day by day and juggled their resources to keep the business profitable and operating. The dynamic owner-managers were relatively more successful in managing their resources and appeared to be more receptive to strategic planning. These managers were in the ‘not at all’ category based on the cross-case analysis.

Overall the findings support the idea that EO is a credible moderating variable for RP. However, market orientation could not offer a strong case to rival against EO as a moderating factor to RP. The notion of ‘strategy-as-practice’ perspective appears appropriate to describe the strategy of these small firms. This perspective is congruent with the use of effectuation theory to explain the small firm’s planning process. The findings suggest that decision-making by the owner-managers took input from both internal as well as external sources in what was described as “collaborative (input) decision-making”. The findings were regarded as valid and credible representations of the raw data. As a whole, the data supported the Mazzarol and Reboud (2009) typology.

The study was carried out in the context of the motor vehicle industry in Singapore. It also took a longitudinal perspective of planning behaviour over a span of five years. The motor vehicle industry was specially chosen because it has experienced some significant environmental volatility over this time period with clearly defined external impacts that enabled discussions with owner-managers about their strategic planning behaviour in reaction to these events. In this way it was possible to examine and test the planning response typology.

A multiple case study method (Eisenhardt, 1989; Yin, 2014) was used for studying the small automobile firms and the behaviour of their owner-managers. Through the use of a case study protocol, the validity of the study was enhanced. An acceptable degree of
theoretical saturation was achieved with data collection and analysis of the nine case studies. The prime unit of analysis was the owner-manager and their decision making. Based on the qualitative data collected, data processing was carried out using NVivo v.10 data management software.

A reiterative process leading to which the research questions were answered included in-depth face-to-face interviews, documentation and analyses using within-case and cross-case approaches (Miles and Huberman, 1994). The findings from this research were traceable back to the data original source. This was done by systematically following a chain of evidence structure to maximise the capability of replication of the findings.

Whilst prior research had explored in depth the roles of RP and EO in management decision-making for the formulation of strategies, much less studies, in particular qualitative studies, look into how these two constructs influence strategic management for small firms. Therefore, a validated Mazzarol and Reboud’s (2009) typology would provide more avenues for research into strategic planning of small firms, for example in helping the owner-managers to plan forward rather than to focus primarily on operational issues.

This study contributes to the conceptualisation of a theoretical framework for the small firms under uncertain task environment. More specifically, the collaborative (input) activities were found to influence the risk perception and the owner-managers’ decision to focus either more on the operational or strategic plan. In connection with the collaborative behaviour, the ‘collaborative capability’ is a newly discovered construct that could impact performance or competitive advantage. Thereby, these are also contributions to further research on the small firms and entrepreneurship.

Small firms have long been recognised to contribute significantly to an economy. Therefore, Governmental agencies continue to support the growth of small firms in most countries. Besides funding support, these agencies provide business training and management consultancy services to help these firms. The knowledge gained through this research could enable Governmental agencies to be more effective in helping small firms adopt appropriate planning response. Moreover, owner-managers could better understand how they perceive risk and how their EO profiles could influence their strategic plans. Such an understanding could help them in the deployment of their resources. Nevertheless, the longevity of the small firms is constantly being challenged by the general environmental factors that could influence how manager-owners execute their strategic plans eventually.
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Chapter 1: Introduction

The main aim of this thesis was to examine the effect of management on the planning response of the small firms. More specifically, this study examines the strategic planning behaviour of the management by studying the interplay between their perception of the uncertainty and risk inherent in the environment, and the nature of their planning responses (e.g., formal/informal, operational/strategic) using the typology developed by Mazzarol and Reboud (2009). For the purposes of this study the term “management” refers to the decision making of the owner-managers of these small firms. Influencing their decision making are such factors as the organisational complexity (size and structural aspects) of their businesses. Also of importance are behavioural traits other than RP and EO such as the values, motivation and competencies of the owner-managers. These owner-managers are also influenced by their perceived level of environmental uncertainty, and their access to external resources and information.

The typology proposed by Mazzarol and Reboud (2009) was utilised in this study as a tool to study the planning response. But first, the typology was validated using the multiple case study method with data taken from the Singaporean motor vehicle industry from year 2008 to 2013. The period for this longitudinal study was specially chosen so to be able to investigate the behaviour of the owner-managers within the full range of environmental volatilities represented in the typology. This typology synthesises various theoretical frameworks. The details of the grounding theories of these frameworks and other relevant constructs were described in chapters 2 and 3 of the literature review chapters.

A validated planning response presents huge opportunities to both practising managers as well as strategy researchers in addressing important knowledge gaps in the field of entrepreneurship and strategies for the small firms. First, a substantially larger number of existing strategic management research focuses on the big firms rather than on the small ones (Robinson, 1982). This is in spite of the fact that small firms have long been acknowledged to contribute significantly to national productivity and employment. Second, the methodology contribution in this study integrates both the micro- and macro-activities (and structures) and resulting in a new epistemological approach to theorising strategy.
Third, many literatures in the strategy domain draw on theories developed for either the formulation or the implementation of strategies. This compartmentalised approach is based on the rational strategy perspective that is frequently applied for the larger firms. However, such an approach does not aptly address the dynamics of decision-making in the small firms whereby the crafting and executing of strategies cannot be easily ‘boxed up’. Strategic planning activities in the small firms are mostly dynamic, non-sequential and possibly in an entangled fashion. Changes made to a formulated strategy could be executed incrementally and rapidly within a short timeframe. For example, the owner-manager could decide on a course of action and implement it immediately without having to conduct a Board of Director or senior management meeting to make changes to a strategic plan. As such, it is impractical to study strategy formulation and implementation of the small firms as two somewhat distinct set of activities. Fourth, validating a theory relating to small firms’ strategic planning should use small firm’s management theory instead of applying theories more suited for large firms. Therefore, the conceptual framework proposed by D’Amboise and Muldowney (1988) used in this study is appropriate.

Fifth, while there numerous studies on how to manage or operate small businesses effectively, relatively fewer studies were focused on the strategic planning of the small firms. Even though operational efficiency is important for the near term, strategic plans would provide the roadmap for the future of the small firms. In view of limited resources to bear the risk in an uncertain environment, the small firms are particularly vulnerable to making unsuitable changes or not adapting appropriately to environmental changes. As such this research on strategies of the small firms is therefore of significant value. In addition, this study answers the call by Brinckmann et al. (2010) to research on appropriate planning response for the small firms in an uncertain environment. Their paper provides evidence to support the link between planning and performance.

Finally, Mazzarol and Reboud’s (2009) typology for the small firm comprehensively synthesises key management research parameters and theoretical models. Thus, it is important to validate this typology as it would help to advance research into strategic management of the small firm. Another key contribution of this typology is that an understanding of the response types would give owner-managers greater confidence in adapting the appropriate planning response.

A small number of small firms grow to become large ones. Some chose to remain in a stasis stage for a prolonged period while others inevitably face survival issue. Still,
owner-managers put their trust in their heuristic approach with a near term perspective. While the author recognises the value of the heuristic approach which has had served many owner-managers well, there is also value in the traditional strategic planning approach. Therefore, the author believe that an appropriate planning response to a volatile environment should adopt a more balanced approach that incorporates the rational perspective (i.e., strategic fit and the logical use of resources) with the owner-managers’ heuristics. Such an approach is in keeping with the objective of growing the small firms or at least achieving longevity.

This introductory chapter provides the necessary background knowledge, justifies the research questions, and details the structure of the thesis.

1.1 Background to the research

Research by Robinson and Pearce (1984), Mazzarol and Reboud (2009) and other studies (see: Bracker et al., 1988; Spitzer et al., 1989; Alpander et al., 1990; Lussier and Pfeifer, 2001; Baker, 2003; Maes et al., 2005) have been increasingly supportive of the movement to study planning in small and growing firms. These studies suggest that planning in small firms could improve performance and increase their chance of success. For example, Robinson and Littlejohn (1981) found a positive relationship between short-term informal planning and performance in small firms, thereby giving rise to the value of planning as the profits of firms are linked to their planning process. In addition, there have been several works that discuss the importance of desired structure and features of strategic planning systems (see: Lorange and Vancil, 1977; Glueck, 1980; Leontiades, 1980; Lorange, 1980; and Grant and King, 1982). Although studies by Shuman et al. (1985) and Yusuf and Saffu (2005) suggest no linkage between planning and the firm’s performance, many more studies (e.g., Robinson et al., 1984; Mazzarol and Reboud, 2009) have indicated otherwise and showing that there is value in planning whether it be short (operational) or long term (strategic) in nature.

As mentioned, most of the more developed literature on strategic planning theory is based on large companies (Robinson, 1982). These studies do not appear to be explicitly applicable to small firms. Few have considered the roles of perceived risk and EO in influencing how the owner-managers of small firms plan.

Bracker and Pearson’s (1986) model of four distinct types of planning (unstructured, intuitive, structured operational and structured strategic) provided a clear understanding of how various factors could influence the choice of planning that small firms adopt, in
particular, in the formality of planning. These factors include the owner-managers’ entrepreneurial profile and strategic inclination. The model was further developed by Mazzarol and Reboud (2009) who proposed a conceptual framework of potential planning responses for small firms when facing different levels of organisational complexity and uncertainty within their task environment. This provides a typology of four planning responses. The “Shopkeeper”, focused primarily on informal, operational plans for dealing with simple-certain scenarios. The next are the “Administrator”, who adopts formal operational planning in the face of complex-certain scenarios, and the “Salesman” who responds to a simple-uncertain scenario with informal, intuitive strategic planning. Finally there is the “CEO” who responds to complex-uncertain situations with formal strategic planning.

Mazzarol and Reboud’s (2009) typology synthesises various theoretical models. These models include the operational framework of D’Amboise and Muldowney (1988), managerial profiles of Merz and Sauber (1995), organisational design (Mintzberg, 1979), task environments of the small firm (Gibb and Scott, 1985) and the planning response by Bracker and Pearson (1986).

Mazzarol and Reboud’s (2009) typology is the only known synthesised planning response framework that could comprehensively link environmental volatility, organisation, owner-managers’ characteristics with strategic behaviour. In view of its potential in helping small firms to grow and in providing areas for further research, it is justified to validate and evaluate the usefulness of the Mazzarol and Reboud’s (2009) planning response typology. As noted by Mazzarol and Reboud (2009), there are two important antecedents that influence the planning behaviour of owner-managers in small firms. These are risk perception (RP) and entrepreneurial orientation (EO).

Many studies support the notion that perceptual differences among managers can affect the formulation of policy decisions (Miles and Snow, 1978; Duncan, 1972). These studies imply that the RP of owner-managers might be critical to the type of planning the firms choose to undertake. Strategy is crucial to organisational performance. However, knowledge about the processes through which management determines strategies in the first place should be considered equally pressing (Anderson and Paine, 1975).

Past research on RP by Bazerman (1986), Roll (1986) and Slovic (1972) suggests that the concept of perceived risk is a critical factor in the decision making process of the key decision maker. According to Krueger et al. (2000) the owner-manager’s intention
to proceed with a venture is influenced by their perception of the desirability and feasibility of the opportunity. This suggests that the owner-manager’s individual perspective on the probability of success and risk associated with the situation translates to the decision made, which shows the importance of the role of RP.

With these studies suggesting the importance of the owner-managers’ RP in terms of decision making, studies by Sitkin and Weingart (1995) further suggest that the level of RP held by the owner-manager is inversely related to the level of risk inherent in the decision made. These studies suggest that people who have lower RP will take higher risk decisions and vice versa. Given that Ansoff (1988) also proposes that decision making is crucial in the process of strategic planning, the role of RP would seem to be to shape the final decision by the owner-manager. Thus in studying the planning decisions of owner-managers of small firms, RP would be a significant area of interest. Therefore, it is important to investigate the results of managerial perceptual activities that attribute to both the intention and manifestation of strategy.

Entrepreneurial Orientation (EO) refers to firms that engage in product market innovation, undertake somewhat risky ventures, and are first to come up with proactive innovations, thereby beating competitors to the punch (Miller, 1983). It has been the subject of considerable research, and measures have been developed for the concept (see: Covin and Slevin, 1989; Perry, 1990; Miles and Arnold, 1991; Caird, 1993; Merz and Sauber, 1995; Lumpkin and Dess, 1996; Cert et al., 2009). However, these literatures broadly recognise that the key components of EO are innovativeness, risk-taking and pro-activeness.

Strategic choice and planning behaviour are influenced by senior manager characteristics (see: Hambrick and Mason, 1984; Hambrick, 1987, Norburn and Birley, 1988; Pleitner, 1989), and the personality of the CEO (see: Miller and Droge, 1986; Miller and Toulouse, 1986). Within the small firm it is the characteristics, personality and EO of the owner-manager that determines how they plan and respond to strategic change (Bracker and Pearson, 1986; Ennew et al., 1994; Merz and Sauber, 1995; Frese et al., 2000; Messeghem, 2003). The EO found within the firm’s top management team seems to be related to how well it performs (Lumpkin and Dess, 1996) and also how it is organised (Wiklund and Shepherd, 2003).
1.2 Research questions

Mazzarol and Reboud’s (2009) typology synthesises the following theoretical foundations:

- Merz and Sauber’s (1995) managerial profiles
- Bracker and Pearson’s (1986) planning response framework
- Mintzberg’s (1979) organisational design
- Gibb and Scott’s (1985) small firm’s task environments
- D’Ambiose and Muldowney’s (1988) operational management theory

However, this theoretical typology has not been tested with empirical evidence. To validate the typology, the key research questions for this thesis were adapted from propositions given by Mazzarol and Reboud (2009) and they are:

- **RQ1:** In a simple-certain task environment characterised by a relatively benign environment and a simple structure, will the owner-manager focus principally on unstructured operational planning such as fine tuning of their businesses?

- **RQ2:** In a simple-uncertain task environment characterised by a relatively turbulent environment and a simple structure, will the owner-manager focus principally on intuitive strategic planning such as market development?

- **RQ3:** In a complex-certain, relatively benign task environment characterised by a higher concern on operational efficiency over external environmental issue and a complex divisionalised structure, will the owner-manager focus principally on structured operational planning such as operational efficiency?

- **RQ4:** In a complex-uncertain highly turbulent task environment, and a complex, adhocracy structure, will the owner-manager focus principally on structured strategic planning such as strategic transformation?

In seeking to validate the Mazzarol and Reboud (2009) typology as the first part of this study, case studies from small firms within the Singaporean motor vehicle industry
were utilised. The second part of this study sought to generate a theory using the posteriori validated typology. For this, the study had a focus on the roles of antecedents to the owner-managers’ planning responses. The roles of RP and EO were the initial focus. The study eventually led to the confirmation that collaborative input form an important part of the decision-making process. Thus, the following research questions are identified:

- **RQ5**: How does the RP of the owner-manager influence the decision in resource allocation for implementing strategic vis-à-vis operational plans?
- **RQ6**: How does the EO of the small firm moderate the owner-managers’ perceived risk?

The foundational concepts and theories supporting this study were detailed in chapters 2 and 3 respectively.

### 1.3 Overview of findings and owner-managers’ decision-making

The foundational theory guiding this research is D’Ambiose and Muldowney’s (1988) operational management theory which shows that the contextual conditions of the task environment (sections 8.4.1 and 8.5.2), organisational configuration (sections 8.2.1, 8.2.3, 8.3.4, 8.4.2, 8.5.3 and 8.5.4) and other managerial characteristics (sections 8.2.4, 8.2.5, 8.3.1, 8.5.1, 8.7.2, 8.7.3, 8.7.4 and 8.8.2) are crucial in influencing owner-managers’ strategic-operational planning. In addition to the above, soliciting of collaborative input from both internal and external sources (sections 8.2.2, 8.3.3, 8.3.4, 8.7.5 and 8.8.3) could then result in the owner-managers’ final implementation of the plans. It was noted in sections 2.3, 2.7.5 and 7.2.1 that risk perception (RP) plays a key role in influencing planning response. Entrepreneurial orientation (EO) moderates the RP as noted in sections 8.2.5 and 8.8.

The first part of the study successfully tested the Mazzarol and Reboud’s (2009) typology as summarised in section 8.6. The simple structure of a small firm facilitates boundary spanning which in turn moderates perceived risk through information solicited from external network. However, owner-managers could choose to adopt an indifferent attitude towards environmental volatility. It was found that owner-managers could use their intuition and working experiences in planning as noted in sections 8.3.5
and 8.7.1. In this connection, RP was found to evolve with owner-managers’ prior experiences.

There were two broad categories of owner-managers that were found in the second part of the study (section 8.7.2). These are the ‘dynamic’ and ‘static’ owner-managers. The ‘dynamic’ owner-managers are characteristically more entrepreneurial. They tend to perceive less risk and could manage their resources well. On the other hand, the ‘static’ owner-managers struggle to juggle with resource management as they perceived relatively higher risk in the environment. Risk perception of the owner-managers varies inversely with the complexity of the organisational configuration as well as with their level of knowledge and competence. High EO owner-managers could engage in relatively more risky behaviour as they seek to exploit opportunities. This suggests the need of strategic planning for these dynamic and entrepreneurial owner-managers.

1.4 Justification of the research

The author of this thesis has excellent connections in the Singaporean motor vehicle industry with direct access to owner-managers to carry out the case study interviews. The author’s relatives have been operating a small firm in the motor vehicle industry in Singapore for the last fifty years. This allows the author to gain insightful knowledge of the industry as well as to be able to obtain case study leads. Even more so, this thesis is expected to make significant contributions to both managers as well as management researchers.

Small businesses have contributed significantly towards many countries’ economies, in particular in value and job creation (see: Asquith and Western, 1994; OECD, 2004; OECD, 2005; OECD, 2010). Currently, small and medium enterprises (SMEs) are estimated to account for over 99% of enterprises and 60% to 70% of employment across the 34 advanced economic nations that form the Organisation for Economic Co-operation and Development economies (OECD, 2010). SMEs are also estimated to contribute to economic development by way of innovation and sustainability (Global Times, 2009). Using Singapore’s economy as an illustration, SMEs have been playing a crucial role contributing more than 50% of the Republic’s GDP (Spring, 2012). In 2007, Singaporean SMEs employed about two-thirds of nation’s workforce, created 145,000 new jobs (which is more than 50% of the 237,000 new jobs created) and accounted for almost half (48%) of total value added. Since 2005 the SME sector in Singapore has been growing faster than the national economy. It is therefore clear that SMEs are a
significant part of the Singaporean economy (Shyan, 2008). With the growing recognition of the role of SMEs in contributing significantly to national economies, understanding and addressing the challenges of management as well as developing strategies for SMEs is important. Notwithstanding their importance, small businesses are unfortunately poorly understood when compared to larger firms (Gibb, 2000).

Less than half of start-up firms survive for more than five years and only a limited number develop into high-growth firms, which make important contributions to job creation and productivity growth in the OECD area. According to the World Bank (2003), “SMEs are seen to be shock absorbers, innovators, and contributors to a country’s economic growth”. An economy with more SMEs will be able to better adjust to external shocks. Therefore, it is imperative to examine how SMEs are currently managing their planning response according to changes in the environment, in order to improve upon their future strategic planning. This will enhance firm’s growth and contribution to the economy, since strategic planning sophistication is linked to success in terms of increased sales and perceived performance (Rue and Ibrahim, 1998).

1.4.1 Theoretical significance of the study:

This research addresses important research gap and opens up new research areas using the validated planning response typology (Mazzarol and Reboud, 2009). For example, new research work could focus on linking effect of management and planning response with performance.

However, a majority of studies on strategic management theories and planning models such as those proposed by Ramanujam et al. (1986) and Whyne (1981; 1985) were done with large publicly held firms in mind. Due to the proposed differences in traits between small and large firms, Robinson (1982) suggested that the development of a theory of strategic planning based on large firms may be inappropriate for small ones. Hence there was a need to focus on the constructs in the context of small firm planning.

While the literature on small firms planning evolved steadily throughout the period since the early 1980s (see: Bracker, Keats and Pearson, 1988; Berman, et al., 1997; Carland and Carland, 2003; Gibson and Cassar, 2005) there are still many gaps in the knowledge based relating to the planning behaviour of small firms. This is particularly the case for research into the RP of owner-managers. There is a relative lack of reference within the academic literature to small firm management. For example, a Google Scholar search of the total number of studies that focused on RP in the planning
of firms found only 604 out of 4,400 papers that were focused on small business management. This is due to the greater focus given to the field of entrepreneurship within the academic literature over recent decades.

Business risk is a particularly pertinent area for researchers in view of the high failure rate of small firms. Further results from Google Scholar yielded only 67 relevant articles with regards to EO in firm management studies indicate the previous lack of focus in this area. Of the current interest generated in the research community on EO, the focus tends to be on its relationship with performance. Research thus far indicate a positive relationship between EO and performance, however what is lacking is whether EO affects performance over an extended period of time or only in the short run (Wiklund, 2005).

Moreover, Merz and Sauber (1995) also suggested that EO has a moderating effect on the relationship between RP and the type of planning adopted. Hence this study solely focuses on studying the impact of perceived environmental risk as well as potentially the moderating factor of EO on the strategic and operational behaviour of small firms, with the decision-making of the owner-managers of these firms as the primary unit of analysis.

1.4.2 Applied significance of the study

The outcome of this research allows owner-managers to know how their perceived risk and managerial characteristics could affect their planning response. Also, owner-managers could better understand why strategies were not implemented according to plan. As such, owner-managers could take the necessary steps to ensure that strategies and resources are deployed successfully. For example, external consultants could help in developing new capabilities such as the collaborative and strategic planning capability as suggested in the Discussion chapter.

In view of the significance of the small firm to the economy at large, Government are keen to play a key role in creating an entrepreneurial culture within a nation. Government agencies and non-profit organisations could provide financial aids, management consulting services and research grants. However, starting a small business is not just encouraged by making it easier to start one; Government would need to put in place a system of assistance which could possibly be pro bono projects to help the resource-constraint firms. Some examples of organisations that support small businesses are:
In Singapore, Government agencies such as Spring Singapore, IE Singapore\(^1\), potential investors and financial institutions are also keen to help out the small firms in the areas of training, financing and investing decisions. The new knowledge gained through this study could enrich their considerations with regards to how to help the small firms. Only a minority of small businesses use strategic planning, and those who did find it difficult to sustain over time (D’Ambiose and Muldowney, 1988). Also, the lack of managerial experience and competence led to small business failure. The key contribution from the practical aspect is unlocking the potential of the small firms by enriching the managerial competencies. Thus, in noting the significance of the small firms and understanding the effect of management on planning response, testing Mazzarol and Reboud’s (2009) typology makes practical sense.

1.4.3 Methodological contribution

This study employs qualitative method involving the use of critical incident technique (CIT) within a case study approach. The result of applying CIT in the case interviews means that both the micro- and macro-activities could be integrally investigated. By this, the study offered a new epistemological approach to theorising strategy for the small firm.

Three pilot case studies were initially conducted to understand key constructs as well as to refine the case study protocol. Subsequently, the nine other specially chosen (theoretical sampling) cases were completed but guided by the use of this study.

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\(^1\) International Enterprise (IE) Singapore is the government agency driving Singapore's external economy (http://www.iesingapore.gov.sg/wps/portal).
protocol. Interview data were collected from year 2012 through to the middle of 2013. Questionnaires were completed to ‘measure’ both the EO as well as the RP of the owner-managers. Questions relating to EO and RP constructs were taken from Certo et al. (2009) and Sitkin and Weingart (1995) respectively. The questionnaire results were used to triangulate the qualitative findings. Specific procedures to enhance validity and reliability were observed including the use of multiple sources of evidence, chain of evidence, pattern matching, explanation building, addressing plausible rivals, and the use of replication logic. The details of this study’s methodology are given in chapter 4.

Small business owner-managers are sensitive to discussing about business plans, strategies and internal operations. Therefore, it was essential to assure the participants of the author’s confidentiality undertaking before any interview began. More importantly, practical steps were taken to ensure that the real identity of the participants would not be revealed in the research process. However, the thesis supervisor had been given access to the interview data for verification purposes.

1.5 Outline of thesis

This thesis has been written with nine chapters in a systematic approach whereby emergent findings and theories or literatures could be illustrated clearly. In view of the interplay nature among the broad range of constructs that were related in one way or another, some parts could appear to be repetitive. In this connection, the author had meticulously minimised any such occurrence to allow the research questions to be answered whenever possible in an interesting and yet rigorous fashion.

Chapter 1 provides the background, key considerations and the justification for the research to test the Mazzarol & Reboud’s (2009) typology which was also briefly described. The research problems and questions were introduced. The arguments for using the case study methodology for this research were briefly discussed to show how these research problems and questions were answered. This chapter outlines the structure of the thesis before providing the definitions of key concepts. The summary highlights the salient points of the thesis.

Together, chapters 2 and 3 form the literature review part of this thesis. The aim of the literature reviews is to confirm the knowledge gap and thus justify this study through the substantial review of current literatures. Chapter 2 reviews the literature on key constructs such as the small firms, RP, EO, environmental uncertainties, operational and strategic plans, planning formality, and the planning response. Market orientation (MO),
strategy-as-practice perspective and effectuation theory were reviewed here in retrospect even though they were evaluated as plausible rivals at a later stage of the research process. This is to improve readability of the thesis by organising all literature reviews within these two chapters.

Chapter 3 reviews the literatures on the foundational theories and unfold the Mazzarol and Reboud’s (2009) typology by looking into the origins of related theories. It shows how this typology was developed through overlaying of theoretical frameworks such as Mintzberg configuration (1980); D’Ambiose and Muldowney’s (1988) management framework; Merz and Sauber (1995) relating to CEO profile, organisational form and task environment; Bracker and Pearson (1986) relating to CEO profile, planning response and strategic orientation; and Gibb and Scott (1985) relating to the task environment and planning response. This chapter explains how EO, RP and the planning response are linked in the study. Finally, the chapter shows how to interpret the Mazzarol and Reboud’s (2009) typology.

Chapter 4 outlines the philosophy behind the research design and discusses how the proposed methods could answer the research questions. The use of Critical Incident Technique (CIT) within the case study method is rationalised. The reasoning for the use of qualitative evidence, theoretical sampling and a longitudinal approach were explained. The reason for the selection of the Singaporean motor vehicle industry as a proxy for a volatile task environment and for use as the context of the study was given. Also, the reasons were given for choosing the owner-manager and their strategic decision-making as the unit of analysis. The chapter sums up with outlines of how the validity and reliability issues were managed.

Chapter 5 outlines the process of data collection procedures while describing the philosophy behind the data collection strategy. In agreement with Greenwood and Suddaby (2006) that the process of data collection is often not neatly ordered in qualitative research, the field work entailed an iterative research process that required procedural adjustments according to the prevailing situations. For example, some questionnaires were not administered right after the interview but were done a few weeks after. However, other procedures were strictly observed in especially with the validity and reliability of the research. This chapter also outlines the development of the case study protocol and the selection of the nine cases based on theoretical sampling approach as recommended by Eisenhardt (1989) and Yin (2014).
Chapter 6 outlines the data analysis approach that shows the sources of qualitative data and how data abstraction leads to potentially new categories of coded data. The chapter describes the category-coding method for data analysis which was adapted from Piening (2011). General analytic strategies and analytic logics were outlined using the cross-case and within-case analytical techniques. All the data were examined for rival explanations with a “Devil’s Advocate” approach to scrutinising these data.

Chapter 7 presents the results of the data analyses using displays and charts as recommended by Miles and Huberman (1994). Some basic statistics of the codes were illustrated using the NVivo v.10 software. Findings on transitional activities (Yin, 2014, p. 163) were outlined together with the insights from the pilot study. Analyses on plausible rivals were also given. The details of the within-case and cross-case analyses were illustrated to show how the Mazzarol and Reboud’s (2009) typology was logically tested and successfully validated.

Chapter 8 contains a discussion of the results that was structured around the six research questions. The findings were reviewed against existing literature.

Finally, Chapter 9 summarises the entire thesis. The conclusion included how the research questions were successfully answered and how the research contributes to the existing body of knowledge. Managerial implications and areas for further research were indicated. Extent of generalisation and limitations of research were discussed.

1.6 Definitions

*Autonomy*: refers to the decision-making power that an autonomous owner-manager is able to influence in all strategic and operational areas to realise a vision or broad objectives (Lumpkin and Dess, 1996).

*Boundary spanning*: Linking and coordinating an organisation with important elements of the external environment.

*Certificate of Entitlement (COE)*: The COE grants the holder the legal right to register own and use a new car for a period of 10 years. A new certificate can only be obtained through a bidding system administered by the Land Transport Authority. For a used car and with any change in car ownership, the current COE stays with the car and could be transferred to the new owner. The cost of the used car would then include the depreciated value of the COE together with the residual value of the car. The
depreciated value of the COE is the value of the remaining usable years of the 10-year validity.

*Complexity (environmental):* External factors that regularly influence the small firm and the number of other firms in its domain. A complex environment is one in which the firm interacts with and is influenced by numerous diverse external elements (Daft, 2010).

*Complexity (organisational):* refers to product technologies, structures (horizontal, vertical and spatial differentiations), systems and processes, staff, and competencies.

*Entrepreneurs, managers and owner-managers:* The terms, “small business owner/owner-manager” and “entrepreneur” are frequently mistaken to be synonymous. *Entrepreneurs* as described by Getz et al. (2004) are individuals who work to increase economic benefits or in social recognition and who create greater social and economic gains with more economic activities (See: Getz, D., Carlsen, J., and Morrison, A., 2004).

An *entrepreneur* is “an individual who establishes and manages a for-profit business for the principal purposes of profit and growth or social recognition. The *entrepreneur* is characterised principally by innovative behaviours and will employ strategic management practices in the business” (Garland et al., 1984, p.358). This definition suggests that an entrepreneur viz-a-viz an owner-manager, is more professional in business management with a strong emphasis on product development in niche areas for a keen purpose of financial gain. It also means that an *entrepreneur* will continually manage the task environment and internal configuration so as to reap maximum values out of the developed innovative product. An *entrepreneur* can begin a firm at any size but must be innovative (Garland et al., 1984).

However, this study adopts the somewhat similar definition given by Zimmerer and Scarborough (2005, p.3) as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling necessary resources to capitalise on them.” This definition is preferred due to its strategic perspective whereas the other definitions are more inclined to economics.

To define “*owner-manager*” is also as difficult as to define “*entrepreneur*”. For the purpose of this study, *owner-manager* is defined as *an individual who establishes and manages a business for the principal purpose of furthering personal goals*. They also
contribute and own all or most of the firm’s operating capital. Thus, they tend to be the principal decision-maker in operations and strategies. The business must be the primary source of income and will consume the majority of owner-manager’s time and resources. The owner-manager perceives the business as an extension of his or her personality, intricately bound with “family needs and desires” (Carland, et al., 1984, p.358).

This definition suggests that some intrinsic values of the owner-manager such as to advance personal goals, interest and autonomy, are likely to be as important as financial rewards. Therefore, owner-manager is expected to take into consideration, personal values and interests, in business plans and also how these plans are to be implemented. Finally, both an entrepreneur and owner-manager are risk-taking and this cannot be used as a differentiating factor between the two of them (Brockhaus, 1980). Figure 1 shows graphically the differences between the three terms.

Figure 1: Owner-managers, entrepreneurs and managers

Entrepreneurial Orientation (EO): The EO is a concept that refers to the firm rather than the owner-manager. The owner-manager is the primary strategist and key actor within the small firm responsible for the planning response. As such, it is justifiable to use the observed measures of EO of the owner-manager as the proxy for the firm’s EO. Nevertheless in this study, EO is also measured using established scale. The key traits of the owner-manager that would be observed in this study (as part of managerial characteristics) are innovativeness, risk-taking proclivity and proactivity to exploit opportunities.

Formality (and informality) of planning taken from McKiernan and Morris (1994, p.337). Formal planning was defined as, “The setting of specific objectives, the calculation of targets and the conception of detailed strategies to achieve them, the
whole process being continually monitored by the use of a suitable management control system. On the other hand, informal planning was defined as “the reliance solely on experience and intuition for planning ahead.”

**Growth:** Refers to the organisational growth prospect in terms of the number of employees, market share and financial aspects such as profitability, cash flow or revenue.

**Lifestyle:** Refers to owner-manager’s personal preference on the standard of living and activities relating to day-to-day living. Essentially, this attribute means that owner-manager will need to decide the proportion of time he or she wants to work in the firm and for personal/social life.

**Managerial characteristics:** Refers to the owner-managers’ growth motivation, RP, EO and the proclivity for strategic planning whether formal or informal.

**Organisational configuration:** Refers to the firm’s size and its organisational structure which has typically a few hierarchical layers for a small firm. Increasing size is usually accompanied by more sophisticated planning, higher degree of formalisation, vertical and horizontal specialisation. Structural design could affect both internal as well as environmental spanning activities.

Planning Response: Refers to decision-making affecting the operational and strategic plans in terms of the priorities set to using resources (or capabilities).

**Risk:** can be quantitatively measured and assessed (Knight, 1933). Mathematically, risk $= [\text{probability of an event}] \times [\text{possible losses}]$.

**Risk Perception (RP):** “Perception is the mental image one develops regarding a person’s world” (Olsen et al., 1998, p.73). This image is based on past experiences accumulated throughout life. It is emotion rather than objectivity that controls how the environment is viewed which affects rational and objective thinking and as a result, influence decision making (Olsen et al., 1998). Risk perception is therefore a perception of the collective environmental risk. Similar to EO, the observed RP was triangulated with validated scales using questionnaires.

**Risk propensity:** is the willingness to take risk (MacCrimmon and Wehrung, 1990).

**Small firms and Small & Medium Enterprise (SME):** The terms “small firms” and “SMEs” are often assumed to be synonymous or even the same. This may be correct and may also be incorrect. The issue lies with the varied definitions given by different
organisations. OECD’s (2010) definitions are shown in Table 2.2 in the following chapter. The term “small firms” should not be confused with the definition of “small” (firm) category of the OECD’s (2010) definition of SMEs. According to OECD (2010), small firms are typically privately owned with less than 50 employees and not more than €10 million annual turnover or asset value. Small firms on the other hand as defined by Mazzarol and Reboud’s (2009, p.3) and adopted in this study does not take into account the financial criteria or the number of employees. This study adopts the following definition for a small firm:

“Independently owned and managed rather than the branch offices of larger corporations and their management are entrepreneurs who have put their money and reputations at risk.”

Strategic network: are outsiders who potentially provide funding, supplies or any form of resources essential to the operations of the small firms. Customers and competitors are potentially an integral part of the network wherein the small firms could tap on for pertinent information.

Task environment: Sectors which the firm interacts directly and have a direct impact on the firm’s ability to achieve its goal (Daft, 2010). A ‘simple-uncertain’ task environment is one whereby there are a relatively small number of environmental factors (or elements) that could influence the firm but these factors (or elements) are significantly volatile. On the other hand, a ‘complex-certain’ task environment is one whereby there are relatively more environmental factors (or elements) that could influence the firm but these are less volatile factors (or elements). Table 4.3 shows the details of what these factors (or elements) could potentially be.

Uncertainty (environmental): Refers to primarily those external environmental sectors that the firm deals with on a regular, day-to-day basis. Daft (2010, p.157) prescribes a qualitatively way to assess the level of uncertainty by looking into the number of elements that could impact an organisation and the degree of fluctuation of these elements. Uncertainty refers to “decision makers that do not have sufficient information about the environmental factors and they have a difficult time predicting external changes” (Daft, 2010, p.153).

1.7 Naming convention of cases

Masked names of the owner-managers were used to aid readability of this thesis. For example, instead of using the alphabets to refer to specific case studies, such as
Case/Firm ‘D’ or owner-manager ‘D’, the description of ‘the Tech Salesman’ was used. In this instance, the ‘Salesman’ was used according to the cell that firm ‘D’ had been mapped unto the Mazzarol and Reboud’s (2009) typology. The prefix was created by the author to make the reading more relevant and interesting. **Table 1.1** shows the list of all masked names for all the case studies.

![](image.png)

### Table 1.1: Description of case studies

<table>
<thead>
<tr>
<th>Case</th>
<th>Primary activity</th>
<th>Masked name of owner-manager</th>
<th>Description of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>Car repair (workshop)</td>
<td>Tech Salesman</td>
<td>Est. 25 years with 9 employees, 1 location and 1 major service (motor vehicle repair &amp; maintenance). Specialist in prestige cars (e.g. BMW, Mercedes). Family owned, with strong investment in technology and employee training.</td>
</tr>
<tr>
<td>E</td>
<td>Car detailing</td>
<td>Ferrari Salesman</td>
<td>Est. 20 years with 15 employees, 3 business locations, and 4 key product/service lines. Specialist in super luxury cars (e.g. Ferrari, Lamborghini, Rolls Royce, Lotus).</td>
</tr>
<tr>
<td>F</td>
<td>Car accessories installer</td>
<td>Contented Shopkeeper</td>
<td>Est. 29 years with 5 employees, 1 business location and 2 major product/service lines. Specialist in high tech accessories (e.g. audio, video, GPS).</td>
</tr>
<tr>
<td>G</td>
<td>Car accessories trader</td>
<td>Perturbed Shopkeeper</td>
<td>Est. 26 years with 2 employees, 1 business location and 2 major product/service lines. Sale &amp; distribution of car and motorcycle parts to the trade and general public.</td>
</tr>
<tr>
<td>H</td>
<td>Car spare parts dealer</td>
<td>Transition Salesman</td>
<td>Est. 10 years with 3 employees, 1 business location and 1 major product/service line. After-market sales &amp; service for car audio, air-conditioning and accessories for Japanese brands.</td>
</tr>
<tr>
<td>I</td>
<td>Car dealer and financing</td>
<td>Duet Administrator</td>
<td>Est. 3 years with 6 employees, 2 business locations and 1 key product/service line. Family owned firm specialist in auto financing for new and used cars.</td>
</tr>
<tr>
<td>J</td>
<td>Car accessories dealer</td>
<td>Network Administrator</td>
<td>Est. 10 years with 8 employees, 1 business location and 2 major product/service lines. Import and sales of European cars.</td>
</tr>
<tr>
<td>K</td>
<td>Car dealer</td>
<td>Ethnic Salesman</td>
<td>Est. 10 years with 5 employees, 1 business location and 2 major product/service lines. Import and sales of Japanese cars.</td>
</tr>
<tr>
<td>L</td>
<td>Car parallel importer</td>
<td>Bosses’ Administrator</td>
<td>Est. 18 years with 20 employees, 3 business locations and 2 major product/service lines. Import and sales of cars.</td>
</tr>
</tbody>
</table>

### 1.8 Summary

This chapter provides an overview of the entire thesis. It clearly stated the main aims and the substantiation of this study. These include a brief introduction of the research questions and how these questions are to be answered. The justifications of the study were given based on the consideration of existing knowledge gap and the significance to both researchers and non-researchers alike. Definitions of key terms are provided for
easy reference. The content of this chapter provides the foundations for the remaining part of the thesis. The literature review of the key constructs follows from here.
Chapter 2: Review of literature on key constructs

2.1 Introduction

One of the major challenges to do research in small business management is the absence of a consistent definition of what a small firm is (D’Amboise and Muldowney, 1988). In academia as well as in practice, the term “small firm” has been used interchangeably with the term, “SME” which is the acronym for small and medium enterprise. “SME” is defined in three categories by the OECD and these definitions are commonly adopted by governmental bodies involving in supporting the small businesses. The categories are namely, “micro”, “small”, and “medium” and they are usually grouped according to number of employee and financial parameters such as turnover or asset size. This definition assumed that the number of employee and financial parameters are directly related. While this assumption has generally not been scrutinised for studies involving the larger firms, it could be problematic when apply it to the small firms. For example, one possible dilemma that could arise for researcher is for example if the number of employees falls under the “micro” category but the firm has an asset size/turnover of the “medium” category – which category to adopt?

For the small firms, the owner-managers or entrepreneurs are the key implementers of firm’s strategy and thereby their influence on the firm’s behaviour should be significant. Then perhaps categorising by managerial characteristics would make more sense rather than by financial means. Nevertheless, without a common definition, it is difficult to apply research findings on a more general basis. Therefore, the following section is devoted to discussing on these terms and then defining “small firm” for the purpose of this study.

2.2 Small firms and the ‘Small and Medium Enterprises’ (SMEs)

The terms, ‘small firms’ and SMEs are commonly used to represent entrepreneurial activities. Governmental agencies for small firms and other related organisations juxtaposed “small firm” with “SME” without a clear reference to which specific group of firms that was being addressed. While some refer “small firms” as the “small” category of the SME sector based on OECD’s (2010) definition, others may mean the entire three categories of the SME sector. A search on Google Scholar on the various terms reveals interesting facts to illustrate the general inconsistency in the terms used.
Table 2.1 shows the number of hits for the various terms to denote the small firms. First, the number of studies on “micro” and “small” size firms appears to be much fewer. However, on closer inspection it became unclear as to how many of the 15,000 (item 4) included the micro and medium size firms. Also, could the difference (13,070) between items 1 and 3 include micro and medium size firms? Finally, a generic term such as “SME” was not included in 58 per cent (difference between items 3 and 5) of the studies involving both the terms “small firm” and “small and medium enterprise”.

Table 2.1: Number of hits from Google Scholar

<table>
<thead>
<tr>
<th>Item</th>
<th>Small firm &amp; SME sector (as at 28th June 2013)</th>
<th>Hits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&quot;Small and Medium Enterprise&quot;</td>
<td>17,400</td>
</tr>
<tr>
<td>2</td>
<td>&quot;SME&quot; and &quot;Small and Medium Enterprise&quot;</td>
<td>9,620</td>
</tr>
<tr>
<td>3</td>
<td>&quot;Small firm&quot; and &quot;Small and Medium Enterprise&quot;</td>
<td>4,330</td>
</tr>
<tr>
<td>4</td>
<td>&quot;Small firm&quot; and &quot;SME&quot;</td>
<td>15,000</td>
</tr>
<tr>
<td>5</td>
<td>&quot;Small firm&quot;, &quot;SME&quot; and &quot;Small and Medium Enterprise&quot;</td>
<td>1,830</td>
</tr>
<tr>
<td>6</td>
<td>&quot;Medium sized firm&quot; and &quot;Small and Medium Enterprise&quot;</td>
<td>716</td>
</tr>
<tr>
<td>7</td>
<td>&quot;Medium sized firm&quot;</td>
<td>4,940</td>
</tr>
<tr>
<td>8</td>
<td>&quot;Micro sized firm&quot;</td>
<td>36</td>
</tr>
<tr>
<td>9</td>
<td>&quot;Small sized firm&quot;</td>
<td>358</td>
</tr>
</tbody>
</table>

The statistical definition of SME differs quite significantly from country to country due to their international diversity and characteristics. As mentioned, the definitions are frequently based on the number of employees or the firm’s financials such as the value of assets and turnover. For example, in North America, the term SME refers to businesses with fewer than 500 employees. Further, the US Small Business Act states that a small business is independently owned and operated, but not dominant in its field of operation. However, the Act recognises that the definition will vary from industry to industry to reflect industry differences accurately (SBA, 2007a).

The UK Companies Act of 1985 specifies that a company is considered “small” if it has a turnover of less than £5.6 million, a balance sheet total of not more than £2.8 million and fewer than 50 employees. Medium-sized companies must not have more than £22.8
million turnover, a balance sheet total of less than £11.4 million and fewer than 250 employees. In Malaysia, the definition of an SME includes enterprises with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million (for non-manufacturing companies). The official definition from Spring Singapore of an SME is classified as an organisation with fixed assets worth up to S$15 million and 200 employees (for non-manufacturing companies).

Similarly, OECD (2010) adopted a mixture of headcount and financials in the consideration of the different categories of SME. A small firm is defined as a non-subsidiary, independent organisation with less than 50 employees and an asset base of less than €10 million in annual turnover (OECD, 2010). Table 2.2 shows the classification of SME according to OECD (2010).

Table 2.2: Definition of SMEs (OECD, 2010)

<table>
<thead>
<tr>
<th>Category</th>
<th>Headcount</th>
<th>Annual Turnover</th>
<th>Balance Sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt;250</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>≤ € 10 million</td>
<td>≤ € 10 million</td>
</tr>
</tbody>
</table>

Financial criteria for defining SMEs are to be found all over the world, including Australia and the EU. Inevitably, such approaches suffer from a problem of obsolescence due to fluctuations of interest rates and inflation nationally and internationally. Moreover, despite a European Commission directive for a single definition of SMEs from 2005, annual adjustments still have to be made to financial thresholds even though these changes are not necessary for numbers employed (SBA, 2007b).

According to the Bolton Committee Report (Bolton, 1971), small firms or SME are independently managed by owners or part-owners and have a small market share. The report also considered relative size differences in its definition. For example, a firm could be small in one sector where the market is huge with many competitors, whereas another firm of comparable size could be considered large in another sector with fewer and smaller firms within it.

2 They must satisfy at least two of these three criteria to qualify for small or small to medium-sized form status.
3 Governmental agency dedicated to the promotion of Singapore's economic growth and productivity (www.spring.gov.sg).
Deeks (1973) differentiated micro firms from small firms citing that micro firms are owner-operated whereas small firms are owner-managed, wherein characteristically, the micro owner will himself have to make decisions concerning production, sales, finance and administration without any specialist management support or advice. On the other end of the SME spectrum, the medium-sized enterprise employing up to 250 people were defined as usually better structured, has well established systems and greater capacity for innovation and growth, with more similarities to large firms as compared to the small firm (Mazzarol and Reboud, 2009).

Size, financials and the operations are not the only considerations that distinguish small firms from the large ones. D’Amboise and Muldowney (1988) and Mazzarol and Reboud (2009) suggested that managerial characteristics such as the personality and traits of the owner-managers are important in studying small firms. This view was also supported by Burns (2011) and Shaper and Volery (2004) that the entrepreneurial aspirations and motives of the owner-managers need to be understood. For example, owner-managers’ preferences for lifestyle set up the firm primarily to provide adequate income with no or little growth aspirations. Firms pursuing growth on the other hand are generally established with the aim of growing financially and in size. This may suggest that these firms would take risks to expand their product range or to increase their geographical coverage. In any case, both these groups of individuals will make most, if not all, business decisions with regard to the use of resources including those concerning employees. Owner-managers and employees are expected to work closely together with limited guidelines for roles and responsibilities. Thus, the small firm can be seen as an extension of the owner-managers manifested in all operational and strategic decisions.

One typical issue that small firms have to contend with is insufficient operating capital. Internationally, most small businesses are still financed informally by personal savings and donations from family and friends. Despite substantial attention from government agencies, less than 0.01 per cent of nascent entrepreneurs launch new ventures with the help of venture capitalists or business angel investors (Minniti et al., 2006, p.55). Their relative lack of financial resources means that owner-managers generally operate within a short time perspective, which provides a sense of better internal locus of control. There is a constant pressure within a timeframe of days/months rather than years to make a decent turnaround or at least to avoid a persistent loss that could result in its demise. As such, owner-managers may prefer a near-term plan to a longer term one.
Long-term strategies may then be thought off as unnecessary or unjustifiable even though these are usually required for by key capital stakeholders such as banks.

A small firm is simpler as compared with their large counterparts from the operation viewpoint. Notwithstanding its size, it is difficult to understand the nature of the small firm even though it is convenient to categorise and analyse them by using size and financials. As suggested by Mazzarol and Reboud (2009, p.6):

“The key to understanding the nature of a small firm is not so much from its size but from the complexity of its structure, the level of turbulence found within its external environment, and the sophistication of its management.”

As can be seen from the above, even within the SME sector there is still significant variation in the size and characteristics of firms which could make it difficult to generalise research outcome pertaining to the SME sector as a whole. This is because the task environment and organisational configuration for the different categories of SME are not quite similar. As such, this study is in agreement with Guilhon (1998) and would not adopt define the small firm by size and financials. Rather, this research adopted Mazzarol and Reboud’s (2009, p.3) definition of a small firm.

This definition has explicitly excluded financial categorisation, the level or type of strategies (such as corporate, business and functional) and firms listed in the stock exchange. However, it is specific in terms of the control of the firm and the emphasis on the entrepreneurial nature of the owner-manager. While the owner-managers could be part-owners, the decision-making power is assumed to be maintained intrinsically within the firm by the owners regardless of the percentage of ownership. Also, what is at stake are not just the firms’ financials, but their reputations and that suggests the individual traits or motives of the owner-managers are important considerations in the study of the small firms.

Is a medium-size firm ‘small’?

A medium-sized firm operates like a large firm in its behaviour and characteristics in many ways, which makes it rather incongruous that medium business is categorised with small business using the OECD’s (2010) SME definition. Some of these differences are summarised in Table 2.3 below.
Table 2.3: Behavioural and characteristics differences for the small, medium and large firms (M Institute, 2006)

<table>
<thead>
<tr>
<th>Small firm</th>
<th>Medium firm</th>
<th>Large firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-managed</td>
<td>Owners plus professionals in key leadership roles</td>
<td>Professional management</td>
</tr>
<tr>
<td>Micro-management of employees</td>
<td>Empowerment of employees</td>
<td>Freedom to act within corporate guidelines</td>
</tr>
<tr>
<td>Informal processes</td>
<td>Formal processes</td>
<td>Formal structures and processes</td>
</tr>
<tr>
<td>Short-term planning horizon</td>
<td>Longer-term planning horizon</td>
<td>Short-term results / long-term planning horizon</td>
</tr>
<tr>
<td>Low external input</td>
<td>External input from professionals</td>
<td>Governance structure separate from management</td>
</tr>
<tr>
<td>Equity held by founder / family</td>
<td>Wider equity base</td>
<td>Diversified equity base</td>
</tr>
<tr>
<td>Small customer base</td>
<td>Diversified customer base</td>
<td>Diversified markets with diversified customers</td>
</tr>
<tr>
<td>Limited personnel development opportunities</td>
<td>Culture enables employee / management development</td>
<td>Multiple career development paths</td>
</tr>
<tr>
<td>Low borrowing requirement – government support possible</td>
<td>Borrowing needed long-term / funding available shorter term</td>
<td>Wide pool of funding sources</td>
</tr>
</tbody>
</table>

In view of the above, the author argued that it is more appropriate to be more specific in studies involving small firms. Specific classification could be defined either quantitatively by the size (and turnover) of the firm or qualitatively by managerial/structural characteristics. It is the latter that forms the basis in defining the small firm in this study.

2.3 Risk Perception (RP)

Risk is most commonly conceived as reflecting variation in the distribution of possible outcomes, their likelihoods, and their subjective values. Expected value is assumed to be positively associated, and risk is assumed to be negatively associated, with the attractiveness of an alternative (March and Shapira, 1987).
The concept of risk perception is defined as a decision maker's assessment of the risk inherent in a situation. Sitkin and Pablo (1992) suggested that the findings of the Prospect Theory research were consistent with a negative relationship between perceived risk and making risky decisions. That is, risk avoidance is greater when threats to assets are salient (high risk is perceived) than it is when an individual perceives little risk, because there is nothing to lose. It also seems reasonable to posit that higher levels of perceived risk would be negatively related to making risky decisions since people tend to associate risk with negative outcomes more strongly than with outcome variability (Levitt and March, 1988). Outcome variability refers to the different types of outcomes that may occur.

Another important factor is the widely-accepted view that people deal with the perceived risks associated with a loss differently to those associated with a potential gain (Bazerman, 2002). This is due to differences in the way they perceived those risks, as explained by the Prospect Theory. Interestingly, the Chinese word for “crisis” (simplified Chinese: 危机; phonic translation: wēijī) has often been cited to encourage positive (entrepreneurial) perceptions when met with a negative situation. “危机” is composed of two alongside characters (see Figure 2.1) that represent “danger” and “opportunity” respectively. These two characters could also be interpreted more directly as a dangerous (risky) situation could potentially be an opportune time.

Yet, there are other factors that could influence risk perception. Cutter (1993) summarised a number of key sets of variables that affect how one perceives risk: individual personality, social influences, cultural forces, personal past experience, cross-cultural factors, environmental philosophy and socio-demographic factors. Due to the wide-ranging factors, one could perceive risk differently from another.

Two studies on managerial perceptions of risk (MacCrimmon and Wehrung, 1986; Shapira, 1986) could be used to consider managerial perspectives on these issues. Taken together, these studies provide some rather consistent observations on how managers define risk, their attitudes toward risk, and how they deal with risk. First, most managers do not treat uncertainty about positive outcomes as an important aspect of risk. Possibilities for gain are of primary significance in assessing the attractiveness of alternatives (MacCrimmon and Wehrung, 1986), but risk is seen as associated with the negative outcome. Second, for managers, risk is not primarily a probability concept. A majority felt that risk could better be defined in terms of amount to lose (or expected to be lost). Third, although quantities are used in discussing risk and manager seek
precision in estimating risk, most researchers show little desire to reduce risk to a single quantifiable construct.

Figure 2.1: “Crisis”, wēijī

In recent years, the role of risk in firms has gained popularity as the consequences of risky decisions may have a significant effect on the organisational performance. As such, many studies have provided insights on risk behaviour and the various factors that contribute to it. The Prospect Theory (Kahneman and Tversky, 1979) described the decisions of an individual between options that involve risk, in particular the framing of a situation. Simply put, a positively framed situation offers a certainty of gains, thus leading to risk-averse decisions; on the other hand, a shift toward risk-seeking behaviour occurs when the decision maker frames the situation negatively, where there is a chance of incurring losses.

In addition, a number of notable works (see: Neale, Bazerman, Northcraft, and Alperson, 1986; Singh, 1986; Tversky and Kahneman, 1986, 1992) have supported the influence of problem framing on decision making. However, there have also been studies (see: Osborn and Jackson, 1988; Thaler and Johnson, 1990) that contradicted the Prospect Theory, by proving the otherwise that decision makers with past success are more willing to take risk.

In an effort to reconcile these contradictory findings, Sitkin and Pablo (1992) proposed a model that utilises risk propensity and RP as determinants of risk behaviour. Therefore, studying risk behaviour (i.e., owner-manager’s planning behaviour) not only would account for the type of planning adopted by the owner-managers of small firms, but also give a deeper understanding of the variables that govern their behaviours.
2.3.1 Clarifying key constructs in risk behaviour

Before delving into the relationship between the various variables (risk propensity and RP) and risk behaviour, these key constructs have to be defined. Table 2.4 summarises the literature related to the key constructs in risk behaviour. As shown in Figure 2.2, the variables identified include the dependent variables (risk behaviour), the mediating variables (risk propensity and RP), and several other indirect independent variables.

Risk behaviour refers to decision-making behaviour in risky context (Kahneman and Tversky, 1979; Hogarth, 1987). It is associated to the degree of risk involved with the decisions made (Sitkin and Pablo, 1992). Simply put, risky decisions denote high risk behaviour while less risky decisions indicate low risk behaviour. The riskiness of the decision is dependent on outcome uncertainty, outcome expectations and outcome potential. To the extent that a decision involves high uncertainty or extreme outcomes, either in terms of the choice among alternatives or for individual alternatives in aggregate, the decision is characterised as risky (Sitkin and Weingart, 1995).

Another study by Calver et al. (2008) defined risk as the unexpected or negative variation in variables such as costs, profits or markets, very widely used in fields such as finance, economy and strategic management among others. In this case, the concept of risk behaviour is in reference to the type of planning responses that owner-managers would be inclined to adopt; that is, the level of risk behaviour (high or low) they would exhibit during the planning process (a focus on strategic or operational issues).

Risk propensity is defined as an individual’s current tendency to take or avoid actions that one has judged to be risky. It is conceptualised as an individual trait that could change over time and thus is an emergent property of the decision maker (Sitkin and Weingart, 1995). In essence, it is an individual’s “willingness to take risk” (MacCrimmon and Wehrung, 1990).

Risk perception (RP) refers to an individual's assessment of how risky a situation is in terms of probabilistic estimates of the degree of situational uncertainty, how controllable that uncertainty is, and confidence in those estimates (Bettman, 1973; Baird and Thomas, 1985). It is also viewed as the decision maker’s labelling of situations (Douglas, 1985; Dutton and Jackson, 1987 and 1988).
Table 2.4: Summary of literature on key risk constructs

<table>
<thead>
<tr>
<th>Variables</th>
<th>Authors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk behaviour</strong></td>
<td>Kahneman and Tversky, (1979); Hogarth (1987)</td>
<td>• Decision-making behaviour in risky context</td>
</tr>
<tr>
<td></td>
<td>Sitkin and Pablo (1992)</td>
<td>• Association with the degree of risk involved with the decisions made</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risky decisions denote high risk behaviour while less risky decisions indicate low risk behaviour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Riskiness of the decision is dependent on 1) outcome uncertainty, 2) outcome expectations and 3) outcome potential</td>
</tr>
<tr>
<td></td>
<td>Sitkin and Weingart (1995)</td>
<td>• A risky decision involves high uncertainty or extreme outcomes, either in terms of the choice among alternatives or for individual alternatives in aggregate</td>
</tr>
<tr>
<td></td>
<td>Calver et al. (2008)</td>
<td>• Defined risk as the unexpected or negative variation in variables such as costs, profits or market, very widely used in fields such as finance, economy and strategic management among others</td>
</tr>
<tr>
<td><strong>Risk propensity</strong></td>
<td>MacCrimmon and Wehrung (1990)</td>
<td>• An individual’s “willingness to take risk”</td>
</tr>
<tr>
<td></td>
<td>Sitkin and Weingart (1995)</td>
<td>• Defined as an individual's current tendency to take or avoid actions that one has judged to be risky</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Conceptualised as an individual trait that can change over time and thus is an emergent property of the decision maker</td>
</tr>
<tr>
<td><strong>RP</strong></td>
<td>Bettman (1973); Baird and Thomas (1985)</td>
<td>• An individual's assessment of how risky a situation is in terms of probabilistic estimates of the degree of situational uncertainty, how controllable that uncertainty is, and confidence in those estimates</td>
</tr>
<tr>
<td></td>
<td>Douglas (1985); Dutton and Jackson (1987)</td>
<td>• Viewed as the decision maker’s labelling of situations</td>
</tr>
</tbody>
</table>
2.3.2 Central role of RP in determining risk behaviour

According to Sitkin and Pablo (1992), risk behaviour is a function of risk propensity and RP. It noted that risk propensity influences a decision maker’s RP, suggesting that RP is a mediator between risk propensity and risk behaviour. A risk-averse decision maker is more likely to attend to and weigh negative outcomes (Schneider and Lopes, 1986), thus overestimating the probability of loss relative to the probability of gain and requiring a higher probability of gain to tolerate exposure to failure. Conversely, a risk-seeking decision maker will attend to and weigh positive outcomes more highly and,
thus, will tend to overestimate the probability of gain relative to the probability of loss (Brockhaus, 1980; Vlek and Stallen, 1980). Therefore, Sitkin and Pablo (1992) proposed that “decision makers who have a risk-seeking propensity will perceive risks to be lower than decision makers who have a risk-averse propensity”. In addition, Sitkin and Weingart (1995) also proved that there is a causal negative relationship between risk propensity and RP. Simply put, the higher a decision maker’s risk propensity, the lower the RP. Therefore, the relationship between these two variables and their effect on risk behaviour often become the point of focus when studying the determinants of risk behaviour.

As mentioned above, there exists a fundamental debate of the effect of RP on risk behaviour. This relates to “Prospect Theory” and its proponents advocate that a negative relationship exists between perceived risk and risk-taking, whereas other scholars provide support for a positive relationship. One solution offered by Sitkin and Pablo (1992, p.30) suggested that risk propensity is the missing variable in the equation, such that risk propensity is juxtaposed with RP, thus explaining both sides of the argument. This leads to the proposition (11): “the higher the level of perceived risk, the stronger the association between risk propensity and risk behaviour, except that for risk-seeking decision makers this effect will reach a limit defined by their propensity”, as portrayed in Figure 2.3 below.

In addition, Sitkin and Weingart (1995) highlighted that “the effect of risk propensity on risky decision-making behaviour will be fully mediated by RP”. This implies that the relationship between risk propensity and risk behaviour disappears when the mediated effect transmitted through RP is not taken into consideration. To further support for the notion that risk propensity is not directly associated with risk behaviour came from a study by Palich and Bagby (1995). They found that there were no significant differences between owner-managers, whether entrepreneurs or non-entrepreneurs, in terms of their risk propensity. Instead, they concluded that:

“\textit{When an entrepreneur pursues an activity that would be ignored or neglected by a non-entrepreneur, it may be due to the entrepreneur’s perception of a positive outcome rather than to differences in predisposition toward risk.” (p. 434).}

This implies that RP is in fact the determining reason for the risk behaviour exhibited. When RP is taken out of the picture, entrepreneurs exhibit a preference (risk propensity) for tasks that are only moderate in risk (Brockhaus, 1982). In particular, a study by
Cooper, Woo, and Dunkelberger (1988) distinguished the difference between RP and the attitude towards perceived risk (risk propensity). It reported that the characteristic that differentiates entrepreneur from managers is an overly optimistic RP, instead of a greater propensity to take risk. This implies that an owner-manager would choose the option with greater risk only because of his subjective perception, and not due to his preferences toward that risk.

Although a review of previous works suggests that risk propensity and RP may be the best representation of mediators of other variables on risk behaviour (see Figure 2.2), these studies pointed out that RP is the sole primary mediating variable on risk behaviour, even fully mediating the effect of risk propensity. However, it is noteworthy that while RP is the focus of this study, risk propensity should not be overlooked as it is a part constituent of the entrepreneurial orientation (EO) of owner-managers.

Therefore, it would be appropriate to study the association between perceived risk and risk decision-making behaviour. This provides a clearer picture of the effect of RP on the owner-manager’s planning behaviour, whether to focus on a strategic or operational response, and the degree of planning formality.

**Figure 2.3: Juxtaposing extant theoretical models and predictions of risk behaviour**

<table>
<thead>
<tr>
<th>Situational Characteristics (Objective or Perceived)</th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Averse</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prospect Theory – Conservation of Prior Gains</td>
<td>Threat Rigidity</td>
<td></td>
</tr>
<tr>
<td>(Kahneman &amp; Tversky, 1979)</td>
<td>(Staw, Sandelands, &amp; Dutton, 1981)</td>
<td></td>
</tr>
<tr>
<td>Loss Prevention Bias</td>
<td>Hypervigilance</td>
<td></td>
</tr>
<tr>
<td>(Jackson &amp; Dutton, 1988)</td>
<td>(Iams &amp; Mann, 1977)</td>
<td></td>
</tr>
<tr>
<td>Prediction: Low Risk Behaviour</td>
<td>Prediction: Low Risk Behaviour</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Propensity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attention to Opportunities</td>
<td>Prospect Theory – Going for Broke</td>
<td></td>
</tr>
<tr>
<td>(March &amp; Shapira, 1987)</td>
<td>(Kahneman &amp; Tversky, 1979; Singh, 1986)</td>
<td></td>
</tr>
<tr>
<td>Prediction: High Risk Behaviour</td>
<td>Prediction: High Risk Behaviour</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Seeking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cell 1</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Cell 2</strong></td>
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<td><strong>Cell 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cell 4</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.3.3 Relationship between RP and type of planning

There are three phases in which large organisations might handle risk (Baird and Thomas, 1985). These phases are risk identification, risk estimation and risk evaluation where decisions on how to handle the risk would be made. This contingency model of strategic risk taking suggests that RP is a process rather than random in nature. While the formality in dealing with the RP may differ between the large and the small firms, it appears to be an important antecedent to a planning response regardless of firm size. Anderson and Paine (1975) suggested that the strategy formulation processes are as important as the content of the strategy itself. Therefore, it is important to investigate how the perceptual elements are related to the strategic management process.

Many studies support the notion that the perceptual differences of owner-managers affect their formulation of policy decisions. Miles and Snow (1978) reported that action plans taken by the organisation in responding to its environment are consistent with the perception of managers rather than with the objective characteristics of the environment. Duncan (1972) emphasised that responses adopted by an organisation are strongly influenced by the managerial perceptual process, which is in turn affected by managerial characteristics. These findings contribute to the implications that the RP of owner-managers might be critical to the type of planning the firms choose to undertake.

Furthermore, Matthews and Scott (1995) suggested that the perception of environmental uncertainty by owner-managers of small firms is an influential antecedent in their strategic planning process. They also found evidence that perceived environmental risk accounts for the variance in strategic and operational planning. In other words, it appears that there is a negative relationship between RP of the owner-managers and the sophistication of planning in small firms. Otherwise, the higher the perceived risk, the less sophisticated the planning will be (whether strategic or operational).

RPs have drawn scholarly attention in part because of their impact on decision makers' behaviour, leading decision makers to deny uncertainty, to overestimate or underestimate risks, and to exhibit unwarranted confidence in their judgments (Bazerman, 1986; Roll, 1986; Slovic, 1972), knowledge (Monroe, 1976; Rao and Monroe, 1988), and ability to perform under risky conditions (Allman, 1985; March and Shapira, 1987; Slovic, Fischhoff, and Lichtenstein, 1980). Some scholars suggested individuals take risky actions (i.e., actions that have a high possibility of disappointing outcomes) because they perceive less risk than most (March and Shapira, 1987; MacCrimmon Wehrung, 1990; Kahneman and Lovallo, 1993). Even when individuals
evaluate identical situations, some people conclude the situation is very risky, whereas others believe it is not (Nutt 1986, 1993). Therefore, RP can be assessed to play a pivotal role in the type of action plans that owner-managers decide to undertake, whether strategic or operational, and this is reflected in the level of risk behaviour they are expected to manifest.

An important finding by Sitkin and Weingart (1995) is that RP has the most impact on risk-taking behaviour. For example, if an owner-manager has a low RP, then he or she will engage in higher risk-taking decisions (high risk behaviour). It also seemed reasonable to posit that higher levels of perceived situational risk would be negatively related to making risky decisions since people tend to associate risk with negative outcomes more strongly than with outcome variability (Levitt and March, 1988). These studies seem to suggest that low RP will result in operational planning while high perceived risk would lead to a strategic one.

In summary, risk taking behaviour in entrepreneurs is understood to be a function of risk propensity and RP (Sitkin and Pablo 1992). A risk-averse decision maker is more likely to attend to and weigh negative outcomes (Schneider and Lopes, 1986). Conversely, a risk-seeking decision maker will attend to and weigh positive outcomes more highly and, thus, will tend to overestimate the probability of gain relative to the probability of loss (Brockhaus, 1980; Vlek and Stallen, 1980). A causal but negative relationship appears to exist between risk propensity and RP (Sitkin and Weingart, 1995). Further, there seems to be little fundamental difference between entrepreneurs and non-entrepreneurs in terms of risk propensity, rather it is their perception of risk that appears to be different (Brockhaus, 1982; Palich and Bagby, 1995). Entrepreneurs are considered to possess an overly optimistic perception of risk (Cooper, Woo, and Dunkelberger, 1988). Decision making over strategic choices requires an evaluation of risk-return trade-offs (Ansoff, 1988), and a manager’s perception of the level of environmental uncertainty and potential risk is therefore influential in their strategic planning process (Matthews and Scott, 1995).

Empirical measures for risk perception have been developed (e.g., Weber, Blais and Betz, 2002). However, these have not been applied to SME owner-managers to any significant extent (Gilmore, Carson and O’Donnell, 2004). Xie et al. (2011) examined entrepreneurial risk-based decision-making using systems dynamics analysis, and Podynitsyna, Van der Bij and Song (2012) examined the role played by emotions on entrepreneurial risk perception. These papers support the work of Sitkin and Weingart
(1995) that suggests RP among entrepreneurs is important to their risk-taking behaviour, and that risk propensity is not fixed but evolutionary, being shaped by their past experience.

2.4 Entrepreneurial Orientation (EO)

Miller (1983) defined a high EO firm as one that is proactive in product innovation, undertakes somewhat risky projects, and is a first mover. Strategy scholars commonly describe an entrepreneurial firm as research and development oriented, innovative, technology leader, market oriented, opportunist, and first to undertake new ventures. On the other hand, a less entrepreneurial firm may be described as conservative, low-cost leader, technological laggard, and a strategic defender (Miles and Snow, 1978) that is either product-oriented or operation-oriented.

2.4.1 Reviewing the EO construct

Many studies into entrepreneurial orientation have varying approaches as to what constitutes EO. As shown in the literature summarised in Table 2.5 below, innovativeness, risk-taking and proactiveness are most commonly used by researchers. Miller’s (1983) work with regards to entrepreneurship has been cited by various researchers such as Covin and Slevin (1989), Zahra (1991) and Lumpkin and Dess (1996). Zahra et al. (1999) and Kreiser et al. (2002) have also determined that the scale developed by Miller (subsequently by Covin and Slevin, 1989) is the most commonly used to operationalise EO, albeit with slightly different variations. For example, Covin and Slevin (1989) made use of this scale (Khandwalla, 1977; Miller and Friesen, 1982) to point out the different strategies firms undertake under different environmental conditions.

Merz and Sauber (1995) used this scale to determine the level of entrepreneurism found in CEOs. Lumpkin and Dess (1996) went on and suggested that the tendency to be aggressive towards competitors and the propensity to act autonomously also contribute to the level of EO of a firm and that each sub-dimension can vary independently depending on the environmental context. Other variations will include Fredrickson (1986) in which he included rationality and assertiveness in his determination of EO; Perry (1990) and Caird (1993) included things like the need for achievement, internal locus of control and creativity to determine EO.
2.4.2 Defining EO’s sub-dimensions

This sub-section provides the definition of the three sub-dimensions adopted in measuring the EO. “Autonomy” is excluded because it is already subsumed under the definition of the small firm.

**Innovativeness**

_Innovation_ reflects a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes (Lumpkin and Dess, 1996). Firms that are innovative are more willing to move away from existing technologies and practices than firms that are not, implying they are probably more receptive to risk-taking behaviours if need be. Rizzoni’s (1991) study on small firms similarly concluded that firms tend not to engage in any innovation to minimise risk whereas on the other extreme, firms that focused on growth are more likely to be innovative. Baker and Sinkula (2009) have shown that EO’s effect on profitability is mediated by the firm’s innovation success.

Moreover, Mazzarol and Reboud (2009) have suggested that firms engage in different strategies and depending on their strategy, firms will decide whether or not to innovate. As such, owner-managers who are concerned with conservative lifestyles tend to forfeit opportunities for growth and additional wealth creation, thus they do not see the need to innovate their products and are content with the current pool of people they serve. Owner-managers who seek growth or any form of advantages over other firms will tend to innovate.

**Risk-taking**

_Risk-taking:_ With the potential influence that EO has on risk-taking behaviour, especially in the context of small growing firms, it is thus an important sub-dimension to consider in affecting a firm’s eventual planning response. Baird and Thomas (1985) identified three main kinds of risk: 1) venturing into the unknown, 2) committing a relatively large amount of assets and 3) borrowing heavily.

A certain degree of risk is involved when firms want to venture into a new market or intends to carry out innovation. Huge amounts of money are usually spent on research and development so as to develop new products or implement a new technology.
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Description</th>
</tr>
</thead>
</table>
| Miller (1983)                  | * First to come up with definition of EO  
  * Defines innovation as engaging in product market innovation, risk-taking as undertaking risky ventures, and proactiveness |
| Covin and Slevin (1989)        | * To measure entrepreneurial strategic posture in firms, a scale focuses on innovation, proactiveness and risk-taking  
  * EO sub-dimensions work in combination instead of any one sub-dimension independently |
| Perry (1990)                   | * Characteristics of entrepreneurs include risk taking propensity, internal locus of control, independence (autonomy)                           |
  * Determined that scale developed by Covin and Slevin (1989) is the most appropriate to determine EO |
| Caird (1993)                   | * Characteristics of entrepreneurs include high need for achievement, autonomy, risk taking, need for change, intuitive thinking              |
| Merz and Sauber (1995)         | * EO defined as the firm’s degree of proactiveness and its willingness to innovate  
  * Proactiveness, innovativeness and risk-taking are strongly associated with its managerial activities (for entrepreneurial CEOs) |
| Lumpkin and Dess (1996)        | * EO consists of 5 sub-dimensions namely risk-taking, proactiveness, innovativeness, autonomy and competitive aggressiveness  
  * Sub-dimensions of EO vary independently from one another |
| Certo et al. (2009, p. 319)    | * General definition of EO taken from Lumpkin and Dess, 2005 and 1996 – “strategic practices that organisations use to identify and launch new businesses”  
  * Autonomy, competitive aggressiveness, and innovativeness – adopted definitions from Lumpkin and Dess (1996);  
  * EO applies to individuals in different context |

In many instances, the possibility of failures is very high. Many owner-managers have conservative, risk-averse personalities (Byron, 1994) and therefore are unlikely to engage in such risk-taking activity. However, depending on the strategy of the firm, there may or may not be a need for them to engage in unnecessary risk-taking, in
accordance with their risk appetites (i.e., when growth is the objective, higher levels of risk appetite may be required, whereas for sustenance purposes, there may be a smaller risk appetite).

**Proactiveness**

Proactiveness has to do with persistently implementing a firm’s strategy to improve competitiveness and exhibiting an opportunistic posture (see: Porter, 1980; Stevenson and Jarillo, 1990; Knight, 1997; Lumpkin and Dess, 2001). Being proactive, a firm is likely to be the forerunner in new product release and thus gain greater profitability (Lieberman and Montgomery, 1988). Lumpkin and Dess (2001) defined a proactive firm to be forward-looking, in consonance with market trend, and influencing the competitive landscape with new product introduction.

### 2.4.3 Measuring and observing the EO construct

This high evidence of validity and reliability of Covin and Slevin’s (1989) EO scale as indicated in various journals affirms that innovativeness, risk-taking and proactiveness sub-dimensions will be a good measurement of EO (e.g., Kreiser et al., 2002; Chadwick et al., 2008). With reference to the Covin and Slevin’s scale, a high EO owner-manager is defined as one who scores high on all the three sub-dimensions. Covin and Slevin (1989) took the composite total of the three sub-dimensions in operationalising the EO construct whereas Lumpkin and Dess (1996) adopted a multi-dimensional approach. That is, Lumpkin and Dess (1996) acknowledged the different levels of contributions of each sub-dimension and also posited that these sub-dimensions do not co-varied one with another. As such, they treated the EO construct as three separate sub-dimensional measures.

Contrary to Covin and Slevin’s (1989) conclusion on a uni-dimensional construct, Kreiser et al. (2002) supported the use of the multi-dimensional construct and posited that the three sub-dimensions (innovativeness, risk-taking and proactiveness) vary mostly independently of each other in their multi-country analysis. Still, their study showed high validity and reliability in the use of the uni-dimensional Covin and Slevin’s EO scale in the cross-cultural context. Therefore, the use of the EO’s sub-dimensions of innovativeness, risk-taking and proactiveness are justifiable as measurements of a firm’s level of EO.
Owner-managers are the chief strategists, owners and primary persons to implement the strategies of the small firms. Since the owner-managers are the key persons to influence the content and the execution of the strategy, it is therefore justifiable in this qualitative research to observe (rather than measure quantitatively) the manager-owners’ traits in innovativeness, risk-taking and proactiveness to understand their entrepreneurial behaviour and using these three components as proxies for the firm’s EO.

2.4.4 EO – influential characteristic of owner-manager on planning

From the review of literature, what emerges is that high EO firms are likely to be associated with those that are seeking growth. D’Amboise and Muldowney (1988), Pleitner (1989), Ennew et al. (1994) and Matthews and Scott (1995) have determined in their studies that there were firms that only seek lifestyle and have no interest in growth. These firms are associated with low EO, having no interest to innovate and are satisfied with their current market, and less likely to engage in long-term strategic planning. High EO firms on the other hand are thus most likely to engage in long-term strategic planning. Lumpkin and Dess (1996) gave evidence of a direct association of high EO firms with high level of performance. Thus high EO owner-managers that engage in long-term strategic planning are poised to deliver results for the firm.

Research by Pleitner (1989) on SMEs concluded that the propensity for planning is contingent on the characteristics of the firm’s management team. Firms are classified into four kinds of entrepreneurial level based on the owner-manager’s EO and their breadth of vision (Mazzarol and Reboud, 2009). ‘True’ entrepreneurs recognise that they need long-term planning to achieve their vision and thus, they are more likely to engage in strategic planning as compared to ‘would be’ and ‘reluctant’ entrepreneurs. ‘True’ entrepreneurs are also associated with high EO as they seek growth whereas ‘reluctant’ entrepreneurs has no wish to innovate and are associated with low EO.

Consistent with the reviewed studies above, Merz and Sauber’s (1995) study on small firm owner-managers’ EO also concluded that these firms do employ different strategies based on the different profiles of these owner-managers. Owner-managers that have low EO tend to engage in short-term planning, with little formalised operation planning. Owner-managers with high EO tend to engage in longer term planning that are strategic in nature. This is further substantiated by Frese et al. (2000) where EO of owner-managers is likely to influence if and how they undertake strategic planning within the firm, and whether they are opportunistic or reactive in this planning.
Wiklund and Shepard (2003) in their research argued that EO captures an important aspect of the way a firm is organised. They also suggested that EO can help explain the managerial processes that provide some firms the ability to utilise their resources to identify and respond to environmental cues earlier than competitors. Given that traits like proactiveness, innovation and risk-taking propensity essentially shape and dictate the strategy or direction that a firm adopts, EO, which is a combination of these traits, is thus expected to have an impact on the type of planning that the firm engages in to suit the adopted strategy.

In summary, the EO found within the firm’s top management team seems to be related to how well it performs (Lumpkin and Dess, 1996) and also how it is organised (Wiklund and Shepherd, 2003). EO seems to be associated with firm performance both positively and negatively due to its close association with risk-taking (Wiklund and Shepherd, 2011).

EO has been the subject of considerable research and measures have been developed for the concept (see: Covin and Slevin, 1989; Perry, 1990; Miles and Arnold, 1991; Caird, 1993; Merz and Sauber, 1995; Lumpkin and Dess, 1996; Certo et al., 2009). However, these literatures broadly recognise that the key components are innovativeness, risk-taking and pro-activeness.

Strategic choice and planning behaviour is influenced by senior manager characteristics (see: Hambrick and Mason, 1984; Hambrick, 1987, Norburn and Birley, 1988; Pleittner, 1989), and the personality of the CEO (Miller and Droge, 1986; Miller and Toulouse, 1986). Within SMEs it is the characteristics, personality and EO of the owner-manager that determines how they plan and respond to strategic change (see: Bracker and Pearson, 1986; Ennew et al., 1994; Merz and Sauber, 1995; Frese et al 2000; Messeghem, 2003).

### 2.5 Market Orientation (MO)

Market orientation (MO) is the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus, allows continuous superior performance for the business (Aaker, 1988). Drawing from Narver and Slater (1990), MO is composed of three subcomponents and they are namely customer orientation, competitor orientation, and inter-functional coordination, and two decision criteria which are long-term focus and profitability.
**Customer orientation**

Specifically, *customer orientation* is the sufficient understanding of one's target buyers to be able to create superior value for them continuously or to create continuously an "augmented product" (Levitt, 1980). A customer orientation requires that a seller understand a buyer's entire value chain (Day and Wensley, 1988), not only as it is today, but also as it will evolve over time subject to internal and market dynamics. A seller creates value for a buyer in only two ways: by increasing benefits to the buyer in relation to the buyer's costs, and by decreasing the buyer's costs in relation to the buyer's benefits.

A seller must understand not only the cost and revenue dynamics of its immediate target buyer firms, but also the cost and revenue dynamics facing the secondary buyers, from which demand in the immediate market is derived. Hence, a seller must understand the economic and political constraints at all levels in the channel. This allows a seller to understand who its potential customers are, what they want, and what they perceive, at present as well as in future. In the case of the small firms, this would likely require owner-managers to make genuine attempts in really understanding the customers’ needs and also the market trend.

**Competition orientation**

*Competition orientation* refers to understanding short-term strengths and weaknesses, as well as long-term capabilities and strategies of both the key current and the key potential competitors (Porter, 1980 & 1985; Aaker, 1988; Day and Wensley, 1988). Paralleling customer analysis, the analysis of current and potential competitors must include the entire set of technologies capable of satisfying the current and expected needs of the seller's target buyers (Levitt, 1960). In the case of the small firms, this would likely require owner-managers to know how to keep their customers as well as to maintain a certain level of relationship with the competitors to understand them better.

**Inter-functional coordination**

The third of the three behavioural components is *inter-functional coordination* — the coordinated utilisation of company resources in creating superior value for target customers. Any point in the buyer's value chain affords an opportunity for a seller to create value for the buyer firm. Therefore, any individual in any function in a seller firm can potentially contribute to the creation of value for buyers (Porter, 1985). Creating value for buyers is much more than a "marketing function". Rather, a seller's creation of value for buyers is analogous to a symphony orchestra in which the contribution of
each subgroup is tailored and integrated by a conductor with a synergistic effect. A seller must draw upon and integrate effectively, as well as adapt its entire human and other capital resources as necessary in its continuous effort to create superior value for buyers.

Hence, that effort is the proper focus of the entire business and not merely of a single department (Webster, 1988). In the case of the small firms, this would likely require owner-managers to ensure that the level of ‘organic-ness’ within the firm could effectively deliver a synergistic value to their customers.

**Long-term focus**

MO has primarily a *long-term focus* both in relation to profits (Felton, 1959) and in implementing each of the three behavioural components of MO (Houston, 1986; Kohli and Jaworski, 1990). For long-term survival in the presence of competition, a business cannot avoid a long-run perspective. To prevent its competitors from overcoming the buyer-value superiority it has created, a business must constantly discover and implement additional value for its customers, of which necessitates a range of appropriate tactics and investments.

A long-run investment perspective is implicit in a MO (Anderson, 1982). In the case of the small firms, this would likely require owner-managers to make conscientious effort to plan long-term (causation theory) or manage their operations efficiently to reach the emerged goals (effectuation theory).

**Profitability**

Finally, the overriding objective for businesses in MO is *profitability* (Felton, 1959; McNamara, 1972). In their literature review, Kohli and Jaworski (1990) found that profits are perceived as a component of MO; however, in their field data they found that profitability is viewed as a consequence of MO.

The focus of MO has evolved in recent times. Consistent with the marketing concept, customers have traditionally been considered to be the primary focus of a MO (Payne, 1988; Deshpande and Webster, 1989). According to Locander et al. (2002), a key component to be market-oriented is creating an organisational culture that values the customer as a primary stakeholder.

Other researchers, however, have begun to embrace a broader perspective on the MO construct by including exogenous factors that influence customer needs. Current discussion of MO emphasises the awareness of and responsiveness to environmental
influences, as well as, an ability to learn about both customers and competitors in order to continuously sense and act on events and trends in present and prospective markets (Slater and Narver, 1998). Kohli and Jaworski (1990) echo this point by describing MO as the ability of an organisation to generate, disseminate, and use superior information about both customers and competitors.

Firms that are confronted with uncertainties in internal and external environments must make adaptations in their planning response and alter the strategic plans to realise customer value and that, in turn, leads to customer intimacy and collaboration (Treacy and Wiersema, 1993). In the case of the small firms, this would likely require owner-managers to manage their costs of operations while keeping tab on sales.

Is MO significant in influencing planning response?

MO has a behavioural focus on market information process (MIP) activities regarding customers and competitors — particularly information acquisition, information distribution, and the ability to behaviourally respond to what is received (Sinkula, 1994; Moorman, 1995). Thus, MO is purported to affect the owner-manager’s planning response. This follows from the fact that effective competitive response necessarily assumes the generation and dissemination of the pertinent market information (Varadarajan and Jayachandran, 1999). This view is further supported by Baker and Sinkula (1999), who view market orientation as characteristics of an organisation that determines the priority that is placed on MIP activity and its use in the strategic process.

The firm’s strategy response change in ways such as differentiation, innovation, focus and cost leadership are likely to be driven by the market orientation of the owner-manager. These factors are dealt with according to the prevailing RP of the owner-manager. In view of the above, it can be argued that MO moderates the relationship between RP and planning response, as the level of MO of the owner-manager affects the level of risk perceived. Therefore, MO could moderate risk perception and thus impact on planning response. All the five subcomponents of MO were coded in the NVivo v.10 data management software.

2.6 Operational and strategic plans

The following sub-sections outline the differences between operational and strategic plans.
2.6.1 Levels and types of strategy

Most strategy textbooks categorise the strategy of a firm into different levels such as corporate, business and functional levels. Corporate level strategies are concerned primarily with portfolio management with a focus in realising benefits arising from utilising all the businesses to achieve synergy, economies of scale and scope. Business level strategy deals with achieving overall goals of a specific business unit with a range of product line for a defined market segment. Business strategy is concerned with what competitive method to adopt to achieve competitive advantage. Porter (1980) posits three approaches to what are “generic” positioning strategies: differentiation, low cost and focus. Miles et al. (1978) suggested four strategy types: the prospector, analyser, defender and reactor.

Functional strategies are strategies of each functional group of a firm. Some examples of functions are marketing, finance, human resources, research and development, and others. Functional strategy, for example, could include marketing strategy, procurement budgeting, human resource and after-sales management. Categorisation of the different levels of strategies and functional groups could mostly be found in the large firms. For the small firms, the demarcation for the level of strategies is less clear especially that the owner-managers tend to plan informally. Also for the small firms, clear functional boundaries and well-defined job descriptions are less common. These practices may be sensible since the small firms would gain little from any scale and scope benefits due to its smaller headcount.

2.6.2 Defining operational and strategic plans

Operational plans, commonly referred to as “business tactics” are the “details” in executing the strategy (Barney and Hesterly, 2010; von Clausewitz, 1976 cited in Mintzberg et al., 2003). Some examples of the “details” that are likely to be part of an operational plan are budgeting, benchmarking, pricing, financial planning, inventory control, in-house training, changing product’s attributes, marketing and sales plans. Key studies focusing on operational planning within SMEs (e.g., Shrader et al., 1989; Matthews and Scott, 1995; Robinson and Pearce, 1984; Kraus et al., 2005) suggested that it is generally short term in nature (approximately 1 year), focus on finances, budgets, sales and production issues. It can be both formal and informal, but is often more informal due to lack of time and resources. By contrast studies of strategic planning in SMEs (see: Bracker and Pearson, 1986; Shrader et al., 1989; Baker, 2003),
suggested that strategic planning is long term (typically 3 to 5 years), and more formal in nature with use of strategy tools (e.g., SWOT analysis, mission statements).

Strategy is difficult to define. Most literatures define strategy with elements of firm’s long-term goals, direction and how to achieve these goals. It requires the resolution of numerous paradoxes before competitive advantage can be achieved (DeWit and Meyer, 2010). Strategic planning is more an art than a science and requires a careful crafting based upon the resources available to the firm (Mintzberg et al., 2003). There is no universal approach to strategic planning, although its implementation within larger firms typically occurs through various inter-linked operational plans, goals and policies (Mintzberg et al., 2003). Strategic planning entails the organisation to take risks and commit resources. This can include the setting of vision and mission statement, and the formulation of grand strategies (such as aggressive growth, geographic and/or product diversifications, turnaround and defensive), a ploy (Mintzberg et al., 2003), and even liquidating a business as part of a corporate strategy.

Since changing strategies requires a major deviation from a firm’s current activities, the entire firm needs to take more risks and commit large amount of resources in such a change. That being the case, most firms do not change strategies frequently even though a highly volatile environment may warrant so. As such, management for a small firm in particular need to consider carefully before initiating a strategic change. Nonetheless, for a change in strategy, a firm should go through the entire strategic management process (Barney and Hesterly, 2010) that would require changes in both the strategic and operational plans.

2.6.3 Understanding strategic planning in the small firm

The concept of deliberate strategy supports the view that managers respond to the environmental forces by realising an intended strategic course. However, in some cases, a strategy is not static in nature. Mintzberg et al.’s (2003) concept of emergent strategy suggested the malleability and dynamism nature of a firm’s strategy. Emergent strategies imply taking one action at a time as a firm learns and searches past workable patterns or consistencies despite, or in the absence of, intention. Such strategies do not mean that owner-managers are not in control but that they are flexible and responsive to changes as learning takes place (Hax and Majluf, 1996).
Hax and Majluf (1996) suggested that the interplay between the two concepts (deliberate and emergent strategies) form the basis to characterise different strategy formation processes. On one end of the strategy continuum is the purely deliberate strategy with the other end of the continuum, the purely emergent strategy. As suggested by both scholars, a firm’s strategies would lie between these two extremes and are influenced by the firm’s environment.

Small firms are usually managed by the owner or the owner’s family members, with power being highly centralised in the hands of one or two top administrators (Miller, 1983). The owner often acts as the brain (Miller, 1983), and the decision he/she makes are representative of the firm. Small firms are generally owned and led by owner-managers who make strategic decisions based more on pragmatic intuition than academic principles (Ennis, 1998). Since small firms (as compared to large ones) can be more susceptible to environmental forces, strategic planning should feature both the deliberate and emergent strategies wherein the heuristic input of the owner-managers should be considered.

Other literature defines strategic planning as exploiting key resources to gain sustainable competitive advantage, manage stakeholders’ expectation, and in the process recognise the pros and cons of the selected strategy among various strategic alternatives (see: Porter, 1980; Mintzberg, 2000; Carpenter and Sanders, 2009; Barney and Hesterly, 2010; Johnson, et al., 2011). In formulating strategies, Rumelt (1982) suggested the importance of ensuring that the competencies and resources of the firm “match” with the external environment. This notion of strategic fit suggests that the environmental scanning and the application of the environmental knowledge are an important integral part of the strategy making process. However, the success of a good strategic fit appears to be contingent upon the cognitive, perceptual and experiential skills of the management.

Strategy scholars and managers alike are most concerned with crafting out strategies that have long term impact and not any form of quick-fix. Hamel and Prahalad (1994, p.19) suggested that firms “must stop thinking about the past and compete for the future”. “Thinking about the past” is akin to looking at the future from a rear view mirror, which is in part an element of the emergent strategy. Therefore, it can be argued that the extreme position of either deliberate or emergent strategy is not tenable.

Moreover, strategy may mean differently for the small firms as for the large ones. This is because the owner-managers of the small firms may lack the needed resources or the
ability to mobilise resources to weather through the volatility present in their industries. This could lead to the immense pressure to optimise the usage of resources to achieve the more attainable near-term goals instead of implementing long-term measures that could result in more unpredictable outcomes.

Understandably, small firms do more operational rather than strategic planning (Pelham and Clayson, 1988). That is, owner-managers may work more on “operational-fit” rather than strategic fit. Also, the mind-set of the owner-managers could be different from managers of the large firms. For example, a certain small firm may be indifferent to growth whereas the growth objective is frequently a given mandate for a large organisation. So, it is important to understand the managerial characteristics in studying small firm planning.

While previous studies have shown that there is a direct correlation between value of small firms and the level of planning (see: Robinson and Littlejohn, 1981; Bracker et al., 1988; Stewart et al., 1999; Baker, 2003; Maes et al., 2005; all papers cited in Mazzarol and Reboud, 2009), few have specific mention of whether these plans are strategic or operational plans. Thus, the strategic planning process in part from a cognitive perspective requires a continual inspection of the strategy’s relevance to the ever-changing environment, in particular for a growth oriented firm. However, together with the perception and experience of the owner-managers, operational and strategic plans could then be developed and realised. Literatures on planning could be categorised into operational and strategic planning as shown in Table 2.6 below.

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

### Table 2.6: Literature on operational and strategic planning

<table>
<thead>
<tr>
<th>Type of Planning</th>
<th>Author(s)</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Operational Planning** | Shrader et al. (1989) | • Setting short-term objectives for specific functional areas  
• Include inventory and sales forecasts, monthly or quarterly budgets  
• Cover periods of less than 1 year |
| | Matthews and Scott (1995) | • Short-term plans  
• Focus on budgets, production quotas and staffing needs  
• Presence of key performance indicators, industry benchmarking, financial planning  
• Setting of profitability and sales growth objectives |
| | Robinson and Pearce (1984); Kraus et al. (2005) | • Can be formal or informal;  
• Tend to be informal due to the lack of time, resources and means to engage in strategic planning |
| **Strategic Planning** | Bracker and Pearson (1986) | • Formal and written business plan  
• Thorough analysis of external environment, internal strengths and weaknesses, and past, current and future performance  
• Usually 3 to 15 years |
| | Shrader et al. (1989) | • Long-term plan  
• Consist of a mission statement and a statement of organisational objectives  
• Presence of performance indicators to control and measure firms performance  
• Normally covers 1 to 5 years |
| | Baker (2003) | • Presence of a mission statement  
• Actions taken by the firm to monitor and evaluate their strategy |
From the above discussion, it is reasonable to suggest that owner-managers with high EO are often characterised by greater risk taking behaviour as they seek to exploit perceived opportunities and search for growth. These firms may be more likely to engage in strategic planning as they venture into the uncertain task environment. Meanwhile, owner-managers with low EO are unlikely to exhibit high risk behaviour and thus less likely to engage in strategic planning. Rather, they will stick to executing operational plans. As such, there appears to be a positive relationship between EO and risk taking behaviour, and a negative one between RP and risk behaviour. Given that the risk taking trait is a common element shared in both relationships, it seems appropriate to investigate the moderating effect of EO on the relationship between RP and type of planning a firm adopts.

The definitions of formal\(^4\) and informal\(^5\) planning are adopted from McKiernan and Morris (1994, p.537). Owner-managers’ traits and the complexity of organisational configuration influence the formality in planning (Unni, 1984; Carland et al., 1989). Specifically, Carland et al. (1989) concluded that owner-managers with formal plans tend to have higher risk proclivity and an inclination towards innovation. Formality in planning is linked with multiple levels of management. Small firms with mostly rather flat organisational structure are more likely to engage in informal operational planning rather than strategic planning (Pelham and Clayson, 1988; Rice, 1983).

2.7 The task environment

The aim of this section is to support the notion that boundary spanning is important for the owner-managers’ strategic response. Milliken (1987) suggested three types of perceived uncertainty about the environment, viz., state, effect and response uncertainties. The perceived environmental uncertainty referred to in this study is similar to the ‘state uncertainty’. An example of this form of uncertainty in this study is the changing of policies from LTA (Land Transport Authority). On the other hand, the owner-managers were rather certain about the support from their suppliers and customers. Still, the small firms were unable to predict the impact of the changing policies and that constitute the ‘effect uncertainty’. In view of the huge experiences of

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

5. The reliance solely on experience and intuition for planning ahead (Mazzarol and Reboud, 2009, p.81).
the respondents in this ‘sunset’ sector, the industry’s response had become more predictable. As such, the ‘effect uncertainty’ and the ‘response uncertainty’ were deemed to be insignificant. Still, Milliken’s (1987) framework suggests the importance of studying the boundary spanning and how this influences the firm’s response. It is with this in mind that helps to shape the study to include the collaborative activities.

2.7.1 Environmental determinism and the principle of enactment

Environmental determinism is about the environment being the primary determinant of the best strategy. The deterministic view undergirded the strategic fit concept whereby strategy to be determined is the one that best fit the environment at a certain point in time. It is related to how best a firm adapts to existing environmental forces could determine if the firm would achieve competitive advantage (Bourgeois, 1984). However, Bourgeois (1984, p.589) argued that:

“...the strategy of a firm cannot be predicted, nor is it predestined; the strategic decisions made by managers cannot be assumed to be the product of deterministic forces in their environments. On the contrary, the very nature of the concept of strategy assumes a human agent who is able to take actions that attempt to distinguish one’s firm from the competitors.”

The latter concurred with the principle of enactment which assumes that firms do not have to align with existing environmental forces. They can influence and even create their environments through a variety of activities including investment in promising technologies, strategic alliances with key stakeholders, political lobbying, etc. Firms could “enact” an environment to make it less hostile and more conducive for opportunistic behaviour. However, small firms have limited ability to influence the environment (such as governmental agencies) directly. Nevertheless, small firms of a specific industry could band together into an Association (such as the Motorcar Trade Association) to influence government policy on pressing issue such as the import duties, gasoline taxes and on measures designed to curb car population by raising ownership costs. Enactment suggests that a firm does not need to completely submit to operating environmental forces. It can partly influence some aspects of the environment in which it operates.

Thus, both adaptation and enactment are important to organisations. Small firms are more likely to adapt to environmental forces due to limited resources and especially
when the costs of enacting the environment exceed the benefits. However, for growth, they should seize any transitory opportunity by being more proactive in enacting.

**2.7.2 Organisational environment**

Broadly, the (external) environment is infinite and includes everything outside the organisation. Daft (2007) drew a distinction between task environment and general environment within the external environment and included specific sectors that fall under each category. Other scholars such as Miles, Snow and Pfeffer (1974) referred to the theory of an “enacted” environment.

According to Daft (2007), the organisational environment is defined as all elements that exist outside the boundary of the organisation and have the potential to affect all parts of the organisation. The organisational environment can be further separated into the general and task environments. According to Daft and Samson (2003, p.92) the general environment is the:

“...outer layer of the environment – the dimensions that influence the organisation over time but often are not involved in day-to-day transactions”.

The general environment includes sectors that have an eventual, indirect, but equally influential effect. It includes financial, technological, economic, government and sociocultural elements (Daft, 2007).

The task environment includes sectors with which the organisation interacts directly and that have a direct impact on the organisation’s ability to achieve its goals. Task environment is organisation-specific, that is, each organisation operates in its unique task environment. It includes the industry, raw materials, market sectors, human resource sector and international factors (Daft, 2007). Table 2.7 shows the various elements of both the general and task environments.

The organisation responds only to what it perceives in the external environment. This includes those things that are not noticed do not affect the organisation’s decisions and actions (Miles, Snow and Pfeffer, 1974). In enacting its environment, the organisation has, in part, defined its domain. The domain of the organisation is the chosen environmental field of action where it defines an organisation’s niche. An organisation’s domain consists of those activities it intends to pursue, and in choosing a domain of activity, the organisation simultaneously determines its pattern of
interdependence with elements of the environment such as suppliers, customers, and unions.

Table 2.7: Elements of an organisation’s environment (Daft, 2007)

<table>
<thead>
<tr>
<th>Sectors that organisation interacts with</th>
<th>Elements within the sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry (task)</td>
<td>Competitors, industry size and competitiveness, related industries</td>
</tr>
<tr>
<td>Raw Materials (task)</td>
<td>Suppliers, manufacturers, real estate, services</td>
</tr>
<tr>
<td>Market (task)</td>
<td>Customers, clients, potential user of products and services</td>
</tr>
<tr>
<td>Human Resource (task)</td>
<td>Labour market, employment agencies, universities, training schools, employees in other companies, workers union</td>
</tr>
<tr>
<td>International (task)</td>
<td>Competition from and acquisition by foreign firms, entry into overseas markets, foreign customs, regulations, exchange rate</td>
</tr>
<tr>
<td>Financial Resources (general)</td>
<td>Stock markets, banks, savings and loans, private investors</td>
</tr>
<tr>
<td>Technological (general)</td>
<td>Techniques of production, science, computers, information technology, e-commerce</td>
</tr>
<tr>
<td>Economic Conditions (general)</td>
<td>Recession, unemployment rate, inflation rate, rate of investment, economics, growth</td>
</tr>
<tr>
<td>Government (general)</td>
<td>City, state, federal laws and regulations, taxes, services, court system, political processes</td>
</tr>
<tr>
<td>Sociocultural (general)</td>
<td>Age, values, beliefs, education, religion, work ethic, consumer and green movements</td>
</tr>
</tbody>
</table>

Taken together, the concept of organisational domain within the task environment is important because it relates to the context in which the firm functions. That is, understanding the task environment would show which environmental forces could directly influence how, what and where the firm could operate in. On the other hand, understanding the organisational domain gives a better understanding of the firm’s strategy which is essentially the manifestation of the management’s decisions. Whenever the management perceive changes in the uncertainties of the environment, decisions could change and then re-shape the organisational domain. Thus, to
understand the environmental uncertainties surrounding the small firms and how owner-managers would perceive these uncertainties, this research seeks to understand the organisational domain of each case study and both the general and task environment, viz., the Singaporean motor vehicle industry based on the relevant environmental elements shown in Table 2.8 below.

Table 2.8: Factors and elements in the Singaporean motor vehicle industry

<table>
<thead>
<tr>
<th>Factors</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>- Purchasing power</td>
</tr>
<tr>
<td></td>
<td>- Transport preferences i.e. recent higher frequency of MRT (Mass Rapid Transit) breakdowns</td>
</tr>
<tr>
<td>Competitors</td>
<td>- Intense competition among the car dealers especially in bidding for the limited number of COEs (Certificates of Entitlement)</td>
</tr>
<tr>
<td></td>
<td>- Substitutes to transport e.g., train, bus, taxi</td>
</tr>
<tr>
<td>Legal factors</td>
<td>- Government Road Tax</td>
</tr>
<tr>
<td></td>
<td>- Vehicle Import Duties</td>
</tr>
<tr>
<td></td>
<td>- Changes in COE quota and prices</td>
</tr>
<tr>
<td></td>
<td>- Number of taxis on the road</td>
</tr>
<tr>
<td></td>
<td>- Electronic Road Pricing (ERP)</td>
</tr>
<tr>
<td></td>
<td>- Change in government policies regarding car financing</td>
</tr>
<tr>
<td>Economic Factors</td>
<td>- Global financial outlook</td>
</tr>
<tr>
<td></td>
<td>- Price of gasoline (petrol)</td>
</tr>
<tr>
<td>Technological Factors</td>
<td>- Green cars/Hybrid Cars</td>
</tr>
<tr>
<td></td>
<td>- Car recall issues</td>
</tr>
<tr>
<td></td>
<td>- Car websites and online forums</td>
</tr>
<tr>
<td>Socio-Cultural Factors</td>
<td>- Status symbol e.g., desire for car ownership at a younger age; or owning luxury cars</td>
</tr>
<tr>
<td></td>
<td>- Sedentary lifestyle</td>
</tr>
</tbody>
</table>

2.7.3 The environment and the small firm

The environment surrounding most firms is increasingly uncertain. Today’s managers are challenged by volatile stock markets, globalising economies, an unstable political landscape, rapid technological development, knowledge symmetry (through the use of
Internet), increasingly discerning stakeholders, and even turbulent climatic changes. Going forward, it gets more difficult to sustain a business in the marketplace let alone gain a competitive advantage. Furthermore, D’Aveni (1994) viewed it unlikely for organisations to sustain competitive advantage in dynamic markets. Given such an environmental condition, owner-manager of small firms can no longer approach rapidly changing environmental conditions with simple traditional methods such as by working harder. Owner-managers need to instil a strategic aptitude and not just focus on operational efficiency in response to a highly volatile environment. Importantly, it is necessary to have a clear understanding of the impetuses to juggle between strategic and operation plans by recognising the significant influence of owner-managers’ profiles.

Carpenters and Sanders (2007) argued that exploitation of resources and capabilities helps to generate sustainable competitive advantage. Exploitation here deals with executing a firm’s operational plan through its structure and control. Therefore, prudent utilisation of resources is important to outperform competitors. Organisations need to make informed decisions on usage of resources. This can be done through a good understanding of both how competitors use its resources (Porter, 1980), and what environmental factors affect the organisation’s dependence on required resources. In consideration of the difficulties of the small firm (as compared to the large ones) to raise capital or obtain resources, owner-managers need to assess the environmental risks more carefully in conjunction with resource allocation. In the context of relatively smaller resource capacity expected of small firms, the ability to leverage on the resources of business network partners becomes imperatively crucial. In this connection, the ability to scan the environment or to tap on existing networks for key information and resources is also important.

Scanning is not simply gathering salient information that may affect the firm. Owner-managers need to interpret the information and consider them in the business plans (Lenz and Engledow, 1986). This is consistent with the open system model (of organisation) in that a firm’s ability to adapt to the environment is crucial to its survival and also growth. High EO firms are directly associated with proactive scanning for opportunities (Miller and Friesen, 1983). Moreover, financial performance is directly related to scanning (Dollinger, 1984). However, owner-managers should focus on the organisational configuration (Smeltzer et al., 1988) as that may impact on the quality of information gathered that can lead to real opportunities. Thus, it is of interest to
investigate how the firm’s planning response is related to the organisational configuration and the scanning activities of the small firms in the task environment.

2.7.4 Environmental uncertainties and perceptual perspective

Based on Duncan’s (1972) initial study, Daft (2007) defined environment uncertainty as one whereby the degree of change occurring in the environmental elements and the rate of that change. Environment uncertainty represents a state in which critical information about organisations, activities and events are unknown, cause-and-effect relationship among environmental elements is also unclear according to Bantel (1993). In plain terms, environment uncertainties relates to the owner-manager’s inability in accessing resources and information of which may include a situation whereby the owner-manager may not even know what he/she does not know or have. This in turn further suggests the importance of environmental scanning and networking to an owner-manager.

Like any other organisation, the small firm is subjected to and influenced by elements in their external environment. Strategic management literatures clearly recognise the importance of the environmental context in influencing business policies through various studies by Aguilar (1967), Ackoff (1970), Andrews (1971), and Hofer and Schendel (1978) that placed emphasis on environmental scanning.

Beyond the studies that associate the importance of the environment and planning strategies, further studies argued that the perceived environmental uncertainty is likely to be a more defined aspect of the environment that influences planning. Studies (see: Tosi, Aldag, and Storey, 1973, Miles et al., 1974; Anderson and Paine, 1975; Downey et al., 1975; Downey and Slocum, 1975; Starbuck, 1976) that supported this argument essentially proposed that because it is through the management’s (owner-manager in this context) perceptions that the environment becomes "known" to the organisation and thus what is critical in considering when planning, is the influence of the perceived environment rather than the objective environment. This concept is further supported by Bourgeouis (1980) who argued that perceived environmental uncertainty is critically relevant to the study of strategy making, consistent with supportive literature by Hatten and Schendel (1975; 1976) as well as Downey and Slocum (1975) that also emphasised on the importance of environmental uncertainty perception as part of a firm’s strategy making. Barney and Hesterly (2010) also used perceived benefits as opposed to actual benefits in defining competitive advantage. Appropriately, the data collected in this
study were based on owner-managers’ perception of the environmental uncertainties and risks.

2.7.5 Linking environment uncertainties with planning response

Consistent with the proposition that different environmental uncertainties and organisational complexities may require different planning levels, a study by Gibb and Scott (1985) further proposed a framework of four task environments, useful to determine possible types of strategic responses appropriate to the extent of environmental uncertainty. This proposed framework suggest potential relationship between environmental uncertainty and the type of planning response and hence the rationale for studying the relationship between RP and planning response. See Figure 3 for Gibb and Scott’s (1985, p.607) framework on planning response relating to product-market mix.

As the preceding discussion has shown, in relation to strategic studies and research, environmental uncertainty has been mentioned significantly in several studies as a context for influencing strategic planning. Table 2.9 highlights some of the relevant literatures which study environmental uncertainty as a context for influencing RP and planning responses.

In the context of this research, the focus has been specifically on the planning responses of small firms. By their nature, small firms tend to have more limited financial and human resources and thus more vulnerable to the various environmental elements (Vossen 1998 as cited in Huang, Soutar and Brown, 2002; McAdam, 2002) which tends to leave them to respond to external influences rather than predicting and controlling it (D’Amboise and Muldowney, 1988; McAdam, 2002).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Author(s)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RP</td>
<td>Anderson and Paine (1975)</td>
<td>Proposed a perceptual model of strategy formulation. Key inputs in the model are managerial perceptions of environmental certainty and uncertainty and low and high need for change.</td>
</tr>
<tr>
<td></td>
<td>Giunipero et al. (2008)</td>
<td>Studied the risk propensity and RP of the entrepreneur and determine if these affect the degree of formalisation in business plans</td>
</tr>
<tr>
<td>Planning Response (Strategic/Operational)</td>
<td>Bourgeois (1980)</td>
<td>Suggested that perceived environmental uncertainty is critically relevant to the study of strategy making.</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Khandwalla (1976)</td>
<td>Study found that when managers perceive the environments of their firms as &quot;rich in contingencies,&quot; as when they are dynamic and uncertain, their strategies are likely to be more comprehensive or multifaceted</td>
<td></td>
</tr>
<tr>
<td>Bracker and Pearson (1986)</td>
<td>Study came up with a classification scheme to split small firms based on the type of planning response they undertake</td>
<td></td>
</tr>
<tr>
<td>Matthews and Scott (1995)</td>
<td>Studied the influence that perception of environmental uncertainty has on the strategic and operational planning of small firms</td>
<td></td>
</tr>
<tr>
<td>Alvarez and Barney (2005)</td>
<td>Investigated how entrepreneurs in uncertain settings organise a firm to facilitate the assembly and coordination of the resources needed to exploit a market opportunity</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 3: Review of literature on foundational theories

3.1 Introduction

This chapter aims to examine the Mazzarol and Reboud’s (2009) typology against its underlying conceptual foundations. But first, it reviews the origins of the literatures and shows how this typology is developed through overlaying of theoretical frameworks. This chapter seeks to justify the purpose of using this typology as the tool for the research. Together, this and the previous chapter show how the D’Ambiose and Muldowney (1988) operational framework is utilised in studying EO, RP and the planning response in an integrative fashion. The strategy-as-practice perspective and the effectuation theory (and causation theory) were outlined to provide a more complete explanation of the entrepreneurial behaviour of the owner-managers. Finally, a section is dedicated to show how to interpret the Mazzarol and Reboud’s (2009) typology together with a critique of it.

3.2 Contingency Theory

"Contingency theory is guided by the general orienting hypothesis that organisations whose internal features best match the demands of their environments will achieve the best adaptation" (Scott, 1981, p.89 and Donaldson, 1996).

The theory suggests that an organisation should act accordingly to its contextual internal and external environmental situations rather than seeking for the best rational approach to structure an organisation (Galbraith, 1973) in all circumstances. Organisational performance is directly related to the degree of fit between the organisational structure and external contingencies (see: Burns and Stalker, 1961; Chandler, 1966, Child, 1972; Donaldson, 1999 Lawrence and Lorsch, 1967; Scotts, 1981, and Thompson, 1967; Van de Ven, 1985). Some important contingencies that could influence the small firms are listed below:

- Technology
- Suppliers
- Distributors
- Consumers/Customer
- Competitors
Further elaboration by Lawrence and Lorsch (1967) argued that the amount of uncertainty and the rate of change in an environment impact the development of internal features in organisations. That is, structural units of an organisation may face different external demands to cope with the outside challenges or to seize potential opportunities. "To cope with these various environments, organisations create specialised subunits with differing structural features" such as having different levels of formalisation, centralisation/decentralisation, and planning time horizon (Scott, 1981, p.89). This suggests that the more uncertain is the environment, the more complex is the required organisational configuration.

Scott’s (1981) approach to contingency issues focused broadly on resource utilisation. On the other hand, Galbraith (1973) emphasised the role of information flows and suggested that the amount of information required for decision-making increases with the level of uncertainty. Furthermore, structural mechanisms such as rules, hierarchical arrangements, and decentralisation determine how well an organisation processes the information. What this suggests is that organisational configuration is contingent upon environment uncertainties which in turn are a function of the firm’s knowledge and availability of resources. Therefore, contingency theory provides the context of how environment uncertainty (certain-uncertain) and organisational complexity (simple-complex) would affect management such as in their risk perception of the environment.

3.2.1 Synthesise rational and natural system perspectives through contingency theory

First, the open system model of organisation is appropriate for this study for two reasons. One, there was no need of a macro perspective to study all of the small firms collectively. Rather, this study focused on the congruence of each of the four categories of planning responses of individual firms based on Mazzarol and Reboud’s (2009) typology. Two, and in support of using the open system model, small firms are not likely to be self-sufficient due to their resource limitation issues. That is, the interactions with the environment are important to mitigate its inherent limitation in resources availability or accessibility.

The rational organisational model (Taylor, 1911) suggested that organisations should be as mechanistic and efficient as possible. That is, by means of structuring various
organisational subunits and allocating resources efficiently, the ideal output could be attained without the need to interact dynamically with the environment. While the rational organisational model looked at an organisation as being made up of independent units or parts, the *natural organisational* model viewed an organisation to be an organic thing that were interconnected with each part capable of influencing other parts to achieve specific goals.

When the environment is simpler and more stable, organisations could be more formalised and hierarchical (Lawrence and Lorsch, 1967). Under such a scenario, the *rational system* view could be appropriate because an efficient configuration is beneficial at the very least in achieving lower operational costs. However, both researchers argued that in a volatile scenario and based on the open system perspective, organisations could at least survive (from ecological viewpoint) if they adopt matching structural types to address different environmental idiosyncrasies. That is, the *natural organisational* model would be more applicable in this case, especially to keep abreast of environmental trends for a growth-oriented firm. Hereby, the *natural organisational* model is more helpful in explaining the firm’s behaviour during uncertain times.

### 3.2.2 Combining resource dependency paradigm, resource-based view and collaborative network perspective

*Resource dependency paradigm* (Pfeffer and Salancik, 1978) described rational ways organisations deal with each other to reduce dependency on the environment (Aldrich and Pfeffer, 1976). The paradigm made some fundamental assumptions. The organisation was assumed not to be able to generate all the needed resources and become self-sufficient. Another premise was that strategic decisions were made within organisations such as to deal with the task environment (see: Chandler, 1962; Child, 1972; Schreyogg, 1980, all cited in Hall, 2005). Also, organisations endeavoured to be proactive in dealing with the environment (Hall, 2005). Alrich and Pfeffer (1976, p.83) noted that, “organisation leaders manage their environments as well as their organisations, and the former activity might be as important, or even more important, than the latter.” For the small firms, both the above assumptions were valid especially in the context of an uncertain environment as most small firms would see the need for resources beyond what they currently possess to mitigate any perceived risk. As such, the *resource dependency paradigm* suggested that organisations (small firms included)
need to set a higher priority in managing the environment for resources, information and knowledge.

The *resource-based view* made two crucial assumptions (Barney and Hesterly, 2010). First, it assumed that every firm competing in the same industry has its unique set of resources and capabilities. This means that there could be potentially differences in the skill levels among firms to perform similar activities. Also, it is this unique set of resources and capabilities that formed the basis in crafting out the firm’s strategy to create greater perceived values against the competition and to earn above-average returns (Ireland et al., 2007). The second assumption was that of resource immobility. The premise here was that the differences in some of the resources and capabilities among competing firms might last a sustained duration rather than temporarily. The *resource-based view* emphasised the use of resources to create a certain set of values. For the small firms, the value creating activities were put in place right from the inception of the firm. These entrepreneurial activities were part of their unique capabilities in how resources were utilised in their business model. Such capabilities are likely to stay intact and sustained within the firm as long as there were no strategic changes over the same period. Therefore, both the above assumptions were valid for the purpose of this study.

Besides the internal perspective, the *resource-based view* also took an external analysis that included a study of the industry and its competitive environment (Barney, 1991; Collis and Montgomery, 1995). In this connection, some strategy scholars have suggested that the resource-based view should take an organisation’s interaction with the environment as a part of its resource (Guillen, 2000; Wan and Hoskisson, 2003). For example, Robinson (1982) suggested that external constituents such as lawyers and finance professionals are useful in helping owner-managers to plan out the firm’s business strategy. This implies that the interaction competencies with the environment should be considered a part of an organisation’s array of capabilities. Some interaction competencies with the environment could include capabilities to obtain competitive intelligence, acquire supplies and to build social capital with key stakeholders (such as customers and government agencies) so as to sense market trends and acquire technical knowledge.

Strategic planning based on customer and competitor intelligence improves profitability (Baker and Sinkula, 2009). Forward-looking firms should scan the environment to understand market needs as well as to keep abreast of competitors’ development. Also,
ambitious owner-managers should adopt an open mind to network with key stakeholders and act more strategic rather than to maintain a “small-company” mind-set with too much emphasis on internal operations or “fire-fighting” activities so as to meet short-term goals. Thus, the proactiveness to network is important so as to be updated with pertinent information that could be crucial for crafting out effective strategies.

The resource dependency paradigm has been utilised to explain how firms respond strategically to the environmental changes (Oliver, 1991). However, it usually falls short of considering how the strategic response could impact internal organisation.

The collaborative network perspective assumes that small firms are lack of or have limited access to resources such as manufacturing facilities, finances, technology, and advertising and distribution channels. Based on such a premise, small firms need to work closely with external constituents such as a strategic network (Jennings and Beaver, 1997) to secure or leverage on all needed resources. A small firm’s strategic network consists of stakeholders from among the capital market; suppliers, customers, employees and regulators. Such a strategic networking creates values (Jarratt, 1988; Street and Cameron, 2007) and should be critical to sustain the firm’s business model. Thereby, owner-managers’ capabilities to scan the environment and to manage strategic networks for resources and information should help the small firms to enlarge their resource base.

In summary, the ability to deal with issues relating to resources is crucial to organisational survival (Pfeffer and Salancik, 2003). A highly volatile environment compounds the management’s challenges in resource allocation (Daft, 2010). Still, organisations need to adapt to changing environments by utilising their resources in ways that help to tap into opportunities (Wang and Ahmed, 2007). When the availability of resources is influenced by a change in environment, organisations need to change their strategic activities or face survival issues (Pfeffer and Salancik, 1978). As such, small firms need to frequently contend with acquiring and managing resources in a highly uncertain environment. Therefore to survive, small firms need at least be able to manage the internal resources as well as the external resources through strategic networks for example. To grow, manager-owners need to outperform competitors in utilising these resources in a sustainable manner especially in a highly uncertain environment.

Putting things together, this study aims to integrate contingency theory, the collaborative network perspective with the resource dependency paradigm and the
resource-based view to establish some of the dominant foundational theories that undergirded this study. Empirical case study data were utilised within the “boundaries” of the contingency theory (see: Chandler, 1990; Child, 1972; Tidd 1993 and 2001). That is, the contingencies acted as constraints rather than prescriptions to the best planning response. Figure 3.1 summarises the dynamic relationships among the environmental contingencies, EO, RP, organisational configuration and the planning response.

![Figure 3.1 Task environment, EO, RP and planning response](image)

3.3 Causation and effectuation theories

This section discussed two theories relating to the entrepreneurial process undertaken by the small firms. These are ‘causation’ which is a traditional perspective as compared to the relatively newer ‘effectuation’ theory. Table 3.1 provides the comparison between the two theories.

How these theories could be applied to the small firms?

The causation theory could explain for the entrepreneurial behaviour of those owner-managers who had previous experiences or training in systems or process way of problem solving. This is because the decision-makers would be comfortable with systematic approaches to assess opportunities, analyse competitive dynamics, and

64
design logical steps to reach a pre-determined goal of which is likely also an outcome of a rather rational analytical approach. Within the boundary of a predictable and less uncertain environment, these owner-managers are more concerned with the selection of the means rather than the access to the means to advance towards a given outcome.

Table 3.1: Causation and effectuation theories (Fisher, 2012, p.1022)

<table>
<thead>
<tr>
<th>Questions</th>
<th>Causation</th>
<th>Effectuation</th>
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<tbody>
<tr>
<td><strong>What</strong> factors are part of the explanation?</td>
<td>• Outcome is given&lt;br&gt;• Select between means to achieve that outcome by:&lt;br&gt;1. Starting with ends&lt;br&gt;2. Analysing expected return&lt;br&gt;3. Doing competitive analysis&lt;br&gt;4. Controlling the future</td>
<td>• Set of means are given&lt;br&gt;• Select between possible effects that can be created with those means by:&lt;br&gt;1. Starting with means&lt;br&gt;2. Applying the affordable loss principle&lt;br&gt;3. Establishing and leveraging strategic relationships&lt;br&gt;4. Leveraging contingencies</td>
</tr>
<tr>
<td><strong>How</strong> are the factors identified related to outcomes of interest?</td>
<td>Causation processes = identifying and exploiting opportunities in existing markets with lower levels of uncertainty.</td>
<td>Effectuation processes = identifying and exploiting opportunities in new markets with high levels of uncertainty.</td>
</tr>
<tr>
<td><strong>Why</strong> can we expect the proposed relationships to exist?</td>
<td>Decision theory: Decision makers dealing with measurable or predictable future will do systematic information gathering and analysis within certain bounds (Simon, 1959).</td>
<td>Decision theory: Decision makers dealing with unpredictable phenomena will gather information through experimental and iterative learning techniques aimed at discovering the future.</td>
</tr>
<tr>
<td><strong>Who, Where, When?</strong> The assumptions and limitations underlying the theory (boundary conditions)</td>
<td>• Static, linear environment.&lt;br&gt;• Predictable aspects of an uncertain future are discernible and measurable.&lt;br&gt;• Entrepreneurial opportunities are objective and identifiable <em>a priori</em>.</td>
<td>• Dynamic, nonlinear, and ecological environments.&lt;br&gt;• Future is unknowable and not measurable.&lt;br&gt;• Entrepreneurial opportunities are subjective, socially constructed, and created through a process of enactment.</td>
</tr>
</tbody>
</table>

The effectuation theory could aptly explain the entrepreneurial behaviour of owner-managers who prefer not to risk too much and yet are confident to deal with an uncertain environment. In view of their ‘controlled’ or limited loss principle, these decision-makers would not hesitate to venture into new and unproven sectors. They also possess the traits of the first-movers with products developed through iterative learning and trial-and-error processes using existing means.
Central to firms engaging in effectuation is its refusal to enact the limitations imposed by the resource environments, suggesting that, for understanding entrepreneurial behaviour, a constructivist approach to resource environments is more fruitful than objectivist views. The consequence of using the constructivist approach is that it supports the study of the interplay of the task environment, managerial characteristics, organisational configuration (i.e., the use of D’Ambiose & Muldowney, 1988) as well as the influence of the external network.

On the other hand, the objectivist views could provide greater insights into how the causation owner-managers approach their resource environments. Still, effectuation and causation are invariably linked “as a dichotomy to enable clearer theoretical exposition” (Sarasvathy, 2001, p.245). Thus, the study proceeded to investigate the planning response behaviour of the owner-manager with the support of these two theories.

### 3.4 The strategy-as-practice perspective

The development of the literature review thus far has assumed that strategy development for the small firm follows the path of traditional process (strategy content) approach. Typologies relating to strategic content had been developed and popularised by for examples, Ansoff (1987) and Porter (1980). Such a relatively ‘macro’ approach to strategic planning relied on secondary data and studied the firms from ‘afar’ (Chakravarthy and Doz, 1992). The epistemological logic behind this arguably dominant approach embraces contingency thinking (e.g., Porter, 1980 and 1985); strategic fit thinking between internal resources and external opportunities/threats (e.g., Rumelt, 1984); ‘competitive fit’ between the firm’s resources and its strategic position (Webb and Pettigrew, 1999); and resource dependency paradigm (Pfeffer and Salancik, 1978). The process approach has been criticised to be too coarse (Tsoukas, 2005) by ignoring the actual strategic formulating activities (Chia and Holt, 2006). Still, such an approach has been effective in explaining the strategic decision (logic) that is supported with the causation theory (Sarasvathy, 2008).

In the course of this study, the author found that the actual goings-on or doings by the key actors of the small firms and the related sectors were complex but instrumental in affecting its eventual strategy. More specifically, the interactions among the owner-managers, the key employees and outsiders play an important part in not just what strategic decisions were taken but also how the strategies emerge. The strategy-as-practice elaborates Mintzberg and Waters’ (1985) notion of the deliberate and emergent
strategies by looking into the activities and relationships of the actors who actually manage and develop the firm’s strategy as well as the strategy context in consideration of sectorial behaviour.

The strategy-as-practice perspective focuses on the day-to-day activities of people, routines and situated activities (Jarzabkowski, 2002; Whittington, 2002). This perspective suggests that the relationships among the firm (e.g., actors’ characteristics and firm’s structure) and the interactions with the contextual elements (e.g., sectorial idiosyncrasies) could shape the actual strategies (deliberated strategies moderated by the emergent strategies) that are implemented by the firm. ‘Practice’ suggests repetitive actions, adapts new learnings and hopefully could perform better subsequently. Jarzabkowski (2002) pointed out that recursiveness and adaptation are two key inextricably linked characteristics of the strategy-as-practice perspective.

The idea of recursiveness suggests that the actors (within the firm) are expected to stick to routines and behave within a set of established rules or procedures. Giddens’ (1984) theory of structuration could explain this routine and recursive nature of practice. The focus of recursiveness is on the competence of the actors (individual cognition) rather than the core competence of the entire firm (Whittington, 1996). The firm’s strategic decision could be regulated by pre-defined rules, best practices or code of practice (Jarzabkowski, 2002).

On the other hand, the concept of adaptation emphasises “the processes whereby particular, uniquely constituted circumstances are systematically interpreted so as to render meaning shared” (Child, 1997, p.67). Simply put, a group’s way of “doing” strategy could eventually be institutionalised and then be adapted into the activities within the firm. Thus, recursiveness (endogenous influence) and adaptation (exogenous influence) elements influence the actual strategy albeit in dialectic tension. Some examples of recursiveness and adaptation characteristics observed in the Singaporean motor vehicle industry are collaborative sharing of information, selective sharing of sales leads, maximising on short-term results and minimising in innovative activities among others.

The strategy process research and the strategy-as-practice perspective are not disparate with one another (Jarzabkowski and Wilson, 2002). This study has in part answered the call for ‘activity-based view of strategy’ (Johnson et al., 2003, pp.3-4; Jarzabkowski, 2005, pp.4-5). However, it first assumed the more widely used traditional process approach, i.e., ‘analyse-formulate-implement-monitor’ and treat the strategy-as-practice
perspective as a plausible rival theory. With that in mind, the strategy-as-practice perspective was purposefully coded in the NVivo v.10 data management software.

### 3.5 Overlaying frameworks of the Mazzarol and Reboud’s (2009) typology

Six theoretical models were used to develop the Mazzarol and Reboud’s (2009) typology. First, four key constituent frameworks are illustrated below as Figure 3.2 through to Figure 3.5 to highlight the key roles played by each theoretical model. Following this, the sub-sections outline further details.

**Figure 3.2** D’Ambiose and Muldowney’s (1988) operational management theory

**Managerial Characteristics**

- Level of Owner-Manager Knowledge and Competence

**Organizational Configuration**

- Formal
- Informal

**Task Environment**

- Low
- High

**Key traits:**

Interplay between managerial characteristics, organisational configuration and the task environment.

Strategic network; size and structure of firm; EO, personal lifestyle, organisational autonomy and motivation for growth.

**Figure 3.3** Merz and Sauber’s (1995) managerial profiles

**Key traits:**

Interplay between managerial characteristics and organisational configuration.

Linking managerial types with Mintzberg’s (1980) configuration

Perception of environmental uncertainty, environmental scanning, EO and organisational control.
Mechanics of relationships among the theoretical frameworks

Key traits:

Interplay between planning response and organisational configuration.

Linking planning response types with Mintzberg’s (1980) configuration

Figure 3.4 Bracker and Pearson’s (1986) planning response framework

Key traits:

Interplay between planning response and the task environment.

RP, perception of environmental uncertainty, and formality of planning.

Figure 3.5 Gibb and Scott’s (1985) task environment
3.5.1 Mintzberg’s (1980) organisational configuration

Mintzberg (1980) suggested that for an organisation to perform well the organisational structure is contingent upon the interplay of its structure with the environmental factors and the organisation’s strategy. That is, in addition to a clear organisational strategy, there are five basic parts of an organisation that needed consideration. The first is strategic apex or the top management who could be the owners themselves and professional managers. The second is the operating core, who hires the workers to do the basic work of the organisation. The third is intermediate management (or middle management). As the organisation grows, these middle managers are necessary to become the liaisons between the workers and top management. The fourth, technostructure, also known as analysts, are concerned with process standardisation. The fifth and last aspect is support staffs that provide indirect support services to the rest of the organisation.

The following write-up outlines the simple structure, divisionalised structure and the adhocracy form. The Professional and Machine forms are not discussed because they were not applied in the Mazzarol and Reboud’s (2009) typology.

Simple structure

The structure itself is a large unit with a few top managers directly supervising a group of operators who do most of the basic work. The organisation lacks standardised systems and thus allows organisational flexibility to promote entrepreneurial activities. This seemingly oversimplified unstructured structure continues to be widely used especially for start-ups and for small businesses with few employees and operating in a hostile task environment. Few if any, middle managers are hired since this simple structure with rather low level of formalisation, relies on the top management to make most business decisions. Small firms typically adopt the simple structure.

In Mazzarol and Reboud’s (2009) typology, The Shopkeeper (Type 1 response) and The Salesman (type 2 response) utilised the simple structure. The Shopkeeper could use the Simple structure ‘A’ and focus on the usage of internal resources since the environmental condition was perceived as benign.

However, The Salesman may require more external help in the form of consultants, strategic alliances and suppliers among others to support its market development objectives. This is because in a relatively uncertainty environment, owner-managers might find themselves unable to cope without the support of external resources to
achieve the firm’s expansion goals. At the least, the external support could help to mitigate the uncertain task environment. Simple structure ‘B’ helps in facilitating the required collaboration.

**Divisionalised form**

The *divisional structure* would be appropriate when the organisation has too many product lines (or businesses) for it to be able to cope well. Each of these product lines is structured as an autonomous division supported by a headquarter unit. The core of the operation lies with the middle (divisional) managers. Maintaining control lies with partial direct supervision from the headquarters but much of it lies with the standardisation of outputs from each division. Each division makes their operational decisions with high level of formalisation. The division’s performance is appraised by the top management periodically. *The Administrator* utilises the divisionalised structure the firms increase in operational complexity. More specifically, the greater formality and bureaucracy help in achieving the required operational efficiency.

**Adhocracy form**

This structural form promotes innovation whereby decision-making is decentralised and experts within the creative projects teams are highly flexible to respond quickly to highly volatile environments. Management act mostly on operational planning with limited formality. However, this structure facilitates changes (mutual adjustment) in organisational culture and therefore allows strategic transformation to be effected. While developed for a large organisation, the adhocracy form is useful for describing the organisational structure of small, innovative and growth-oriented firms (Mazzarol and Reboud, 2009).

The CEO planning response (Mazzarol and Reboud, 2009) has traits straddled between *The Administrator* and *The Salesman*. The higher level of product complexity and environmental uncertainty requires the owner-managers to use more sophisticated methods in their analysis of the firm and of the environment. A rational, professional approach to strategic planning is required to mitigate the perceived uncertainties and risk. The *adhocracy configuration* supports the firm in keeping with environmental trends involving innovation and strategic changes. At the same time, current product lines needed to be efficiently managed.
3.5.2 D’Ambiose and Muldowney’s (1988) operational management theory

In this study, the analysis on the small firms adhered to D’Ambiose and Muldowney’s (1988) operational management theory by considering the three perspectives of the task environment, managerial characteristics and organisational configuration. The three perspectives are “distinct yet complementary” and thus to study the interplay among them is crucial.

This theory helps in the understanding of the owner-managers’ priorities in their planning response in consideration of specifically the following four areas, viz., perceived risk, personal lifestyle, organisational autonomy and the firm’s growth aspiration if any. Also, this theory allows the researcher to study the influence of organisational configuration in responding to the uncertainties in the task environment. For example, the study looks into how both the environment scanning and the sources of information solicited from strategic network could influence the planning response of the small firms.

As defined in chapter 2 of this thesis, task environments are the parts of the environment that have a direct bearing on the firm’s direction and achievement of goals (Dill, 1958). A small firm’s task environment should include competitors, customers, suppliers, trade associations and the government or governmental agencies (see Table 2.7). However, the task environment varies with the types of small firms such as the differences in the focus in innovation and growth (Mazzarol and Reboud, 2009). Nevertheless, small firms have limited resources that put themselves in a more sensitive position in dealing with the task environment. Examination of the literatures (also in chapter 2) suggests that environmental uncertainty and organisational complexity are two contingencies that could influence organisations significantly (Tidd, 1995 and 1997). In this connection and with consideration of the managerial characteristics and organisational configuration (as explained below), owner-managers’ perception of the level of uncertainty and complexity are subjective, whether they be low or high in each dimension. In building up the Mazzarol and Reboud’s (2009) two-by-two typology, both the uncertainty and complexity formed the two dimensions giving rise to four possible conditions such as simple-certain, simple-uncertain, complex-certain and complex-uncertain scenarios.

Managerial characteristics involve the motivations, goals, objectives and actions of the owner-managers (D’Ambiose and Muldowney, 1988, p.227). Owner-managers’ response to the task environment is spontaneous and self-generated (Hankinson et al.,
1997) rather than calculated. Most owner-managers are not willing to engage outsiders for help (Hankinson, 2000) but rely on intuition, personal experience and knowledge (Mazzarol and Reboud, 2009). Also, owner-managers were more confident in operations rather than strategy (Deeks, 1973). There are significant amount of knowledge and competencies needed in crafting out strategic plans. For example, a strategic planning response would require a detailed analysis of the task environment, an understanding of internal competencies, and mapping out long-term plans to achieve specific visions. On the other hand, operational plans are comparatively less demanding in crafting them albeit the doing or implementing could be very challenging.

In Mazzarol and Reboud’s (2009) typology, the low level of owner-manager’s knowledge and competence dimension is associated with operational response. Moving on to the high level of the same dimension, strategic response would require more of owner-manager’s knowledge and competencies such as newer technologies, networking and environmental scanning capabilities.

Owner-managers are usually very busy coping with a broad range of tasks and working in uncertain environments (Torres, 2006). After all, the motivation to go into the small business was unclear and appeared to be for the purpose of livelihood or wages rather than for profit making (Deeks, 1973). As such, the planning response should likely be based to a significant extent on their risk perception of the task environment (simple-complex and certain-uncertain) and its ensuing risks. However, EO is an important character of the owner-managers that could also influence the planning response. Jenkins and Johnson (1997) reported that owner-managers would do well for those with high EO and whose planning considered both the task environment and firm structure. While the Mazzarol and Reboud’s (2009) typology considers the owner-managers’ competencies and risk perception, it is not specific in including the entrepreneurial aspect of the firm (EO) or of the owner-managers. It is therefore partly an objective of this thesis to investigate how the EO influences the risk perception.

Organisational configuration refers to the formal and informal structure of the organisation (D’Ambiose and Muldowney, 1988, p.227). Small firms usually plan informally and operationally focused (Mazzarol and Reboud, 2009, p.58). Also, the formality increases with organisational complexity which was defined (Daft, 2010) as the combined effect of the horizontal, vertical and spatial differentiations. Due to their size, small firms are expected to have rather flat structures with localised operation and little horizontal differentiation. A small firm’s structure is expected to have a maximum
of four levels that are seldom formalised (Messeghem, 2001). The proxy for organisational configuration is the level of organisational complexity and formality which form one dimension of the Mazzarol and Reboud’s (2009) typology.

Studies by Hankinson et al. (1997) and Hankinson (2000) showed that most small firms in Europe and United Kingdom had informal structures that were highly flexible. To maintain flexibility, the attitude, competency and adaptability of the owner-managers were shown to be important. Merz and Sauber (1995) showed a link between organisational structures and the managerial characteristics. Put together, the owner-managers’ EO levels, perceptions of the environment and the organisational configurations influenced how management plan.

3.5.3 Merz and Sauber’s (1995) managerial profiles

Merz and Sauber (1995, p.557) suggested four CEO profiles to help understand the planning behaviour of the small firms. The four managerial profiles are as follows.

*CEO I profile* – those that were highly centralised in their decision making with limited scanning of either the external or internal task environments. Decision-making was short term and “impulsive” and determined by the CEO. Such firms had little need for formal operating plans, and employed few formal operating procedures or managerial controls. These CEOs saw their task environment as benign with low levels of turbulence. This type of CEO was also the lowest in terms of EO.

*CEO II profile* – these CEOs valued information and were keen to scan both the external and internal task environment. However, they employed short-term planning horizons and were impulsive in their decision making. Formalisation within the operational planning arena was low. These CEOs tend to make all decisions alone and in intuitive fashion. They did make use of cost control data and perceived their external environment as hostile. Their EO was average.

*CEO III profile* – these CEOs were characterised by high levels of specialisation and decentralisation and a tendency to delegate authority and empower junior managers. They were in favour of consensus building and rational decision making. Their planning horizons were long term but they were not focused on the external task environment with limited interest in customers or markets. Of more interest were internal control systems of a formal nature including business plans, work descriptions and organisational charts. These CEOs perceive that they faced more dynamic external
environments that were more hostile and diverse than average. Their firms were the largest in the sample and had experienced the highest level of growth in sales and employees.

**CEO IV profile** – these CEOs were “fervent gathers and analysers of internal and external data”. They displayed deliberate and long-term planning horizons with very formal systems of planning and control including cost control mechanisms. Although they maintain central decision making they were also highly collaborative and sought consensus. These CEOs perceive their external task environment as highly dynamic, hostile and multifaceted. They had the highest levels of EO and their firms were generally growing and of good size.

### 3.5.4 Bracker and Pearson’s (1986) planning response framework

As proposed by Bracker and Pearson (1986), there are four classifications of the planning behaviour of the small firms. The following descriptions of the four types were taken from Mazzarol and Reboud (2009, p.169).

**Type I “Unstructured planning”** – this scenario is where the owner-manager is largely operational in focus and the firm’s organisational configuration is mainly informal. Such a firm is likely to have mainly operational control and reporting systems, and may be akin to the “simple structure A” or “CEO Profile I”.

**Type II “Intuitive planning”** – this scenario is where the owner-manager is more strategic in focus, but where the organisational configuration is still largely informal. This type of firm is likely to be more externally focused, and is likely to conform to the “simple structure B” or “CEO Profile II” model.

**Type III “Structured operational planning”** – this scenario is where the owner-manager is largely operational in focus, but the organisational configuration is largely formal. This type of firm is likely to conform to the “divisionalised structure” or “CEO Profile III” model.

**Type IV “Structured strategic planning”** – this scenario is where the owner-manager is strategic in focus and the organisational configuration is largely formal. Such a firm is likely to be larger in size and its management team possesses higher EO. This type of firm is likely to be more externally focused, and is likely to conform to the “adhocracy” or “CEO Profile IV” model.
3.5.5 Gibb and Scott’s (1985) – small firm’s task environment

This framework by Gibb and Scott (1985) was adapted from Mazzarol and Reboud (2009, p.184). The four generic task environments along with Bracker and Pearson’s (1986) planning response are as shown in Figure 3.5 which illustrates the four types of tasks environments, product-market mix and corresponding planning response.

*Market Type A “Certain-Simple” – Type 1 Unstructured Planning:* This market has a benign task environment and the level of perceived risk is low. In such a market, the level of planning activity within the small firm is likely to be low, as will be the level of formality and sophistication in such planning. There is little need for the owner-manager in such a market or “task environment” to undertake more than rudimentary operational planning.

*Market Type B “Uncertain-Simple” – Type II Intuitive Planning:* This market is more complex and uncertain than the last and offers a higher level of perceived risk to the firm. There is likely to be strong competition in this type of market with relatively uncertain customer behaviour. Orders may fluctuate and cash flows put under pressure from time to time. On the supply side there may be less security in supplier contracts. However, the firm has a relatively simple product or service technology and can deliver this relatively easily. In such a task environment the owner-manager may be engaged in Type II Intuitive Planning, with relatively high levels of strategic orientation (for example to take into account the activities of competitors), but relatively low levels of formality in the planning process.

*Market Type C “Certain-Complex” – Type III Structured Operational Planning:* This market is characterised by multiple contracts from a large number of customers and moderate competition. The product technologies are complex but the commercialisation pathway through which these products move are well defined and therefore less risky. It can also be complicated, thus requiring lots of operations, but with no interaction or feedback and a linear evolution. It requires formalisation and a well-defined organisation, but not necessarily a reactive culture. This task environment is likely to see the owner-manager more concerned with the internal operational efficiency of their firm than the external environment, which is largely benign. The most appropriate planning response in this task environment is Type III Structured Operational Planning with high levels of formality in operational planning and internal systems analysis, but less strategic focus on the external environment.
Market Type D “Uncertain-Complex” – Type IV Structured Strategic Planning: The Type D market is a task environment characterised by strong competition and uncertain customer behaviour. Supplies are drawn from a variety of sources. There is a high rate of technological change. Product technologies are complex and the commercialisation pathway poorly defined.

This market is therefore highly dynamic and turbulent. The perceived level of risk in this task environment is high and it seems appropriate for the firm to engage in Type IV Structured Strategic Planning activity with high levels of external, strategic focus by the owner-manager, and high levels of formality in the planning process.

3.6 Mazzarol and Reboud’s (2009) typology: interpretation & critique

The conceptual framework proposed by Lumpkin and Dess (1996) sought to link EO directly with the overall firm’s performance. However, the influence of EO is moderated by factors relating to organisational configuration and the task environment.

Figure 3.6: Mazzarol and Reboud’s (2009) typology

McCarthy and Leavy (1998) proposed that managerial’s risk taking behaviour influences how strategies are realised. Also, the risk taking is influenced by managerial
characteristics and the task environment. The study appears to suggest that strategy emerges and evolves along with the managerial risk perception.

De Carolis and Saparito (2006) provided a model showing the importance of the roles of risk perception and social capital to exploit entrepreneurial opportunities. The perceived risk seems to shape the perception of the environmental uncertainties. Also, it suggests the importance of the firm to be able to capitalise on its internal human capital and resources from external networks.

The above support the importance of studying the interplay of the three key elements proposed by D’Ambiose and Muldowney (1988), and the roles of outsiders, EO and RP in influencing the planning response. The following sub-sections outline the synthesised traits of all the composite theoretical frameworks overlaying the Mazzarol and Reboud’s (2009) typology. The above Figure 3.6 shows the integrated typology.

Cell 1 – The Shopkeeper: The shopkeepers view the task environment to be non-volatile and product technology to be simple. Owner-managers are inward-looking with interests primarily in fine-tuning of the business by emphasising operational efficiency. Thereby the firm structure is expected to be simple with the owner-managers involving all over the “shop” in everyday issues and supervising their workers closely.

Processes and systems will be put in place only on a need basis, for instance due to persistent issues arising from lack of them. “Fire-fighting” activities or near-term solutions are common because owner-managers may not believe in long-term strategic plan. Planning is thus unstructured.

Cell 2 – The Salesman: The salesmen recognise that the uncertainties surrounding their simple organisational configuration and product-technology require strategic planning. However, their heuristic problem-solving nature influences their strategic plan to base on intuition rather than logical reasoning.

Owner-managers are capable of networking with key outsiders to acquire the strategic knowledge or assess crucial resources to carry out their businesses. The focus is on market development with mid to long term plans.

Cell 3 – The Administrator: The administrators believe that operational compliance is crucial for the firm to be efficient. Owner-managers use structural formality to provide the sense of control and focusing on operational KPIs to maintain control over different product lines or divisions. Furthermore, to minimise errors or improve operational efficiency, firms may become bureaucratic with standard operating procedures or
policies put in place in their operational plans in each division. Since the level of uncertainty and risk are perceived to be low, administrators do not feel the need to be strategic in their plan or thinking.

Cell 4 – The CEO: The CEOs view their task environment to be highly volatile and that their organisational configuration to be complex. The products are more sophisticated than those of the previous three types of owner-managers. The complexity could also be evident in the firms having operations in different geographical locations. While the CEOs consider operational efficiency to be important, an even more pressing need for them is to transform the organisation to adapt to environmental changes. The adhocracy structure is put in place to draw at least part of the organisation to be more organic. CEOs may engage outside consultants to assist them in formalising their strategic plans.

Critique of the Mazzarol and Reboud’s (2009) typology

The integrative strength of the typology of key theoretical frameworks means that analysis of the planning response would be greatly simplified. However, this simplification through synthesis of wide-ranging concepts is not without blemish. On one hand, labelling of the four managerial types provides an easy understanding of each planning response. On the other hand, the first-time users may be perplexed by the large number of composite parameters. The perceived difficulty may discourage some from attempting to use it. What potential ramifications are there to this perceived complexity? Three potential challenges are outlined as follows.

First, a user may not know how to apply this typology for a longitudinal study. While it is beneficial to use this for a ‘snapshot’ analysis (similar to how Porter’s five forces framework is applied), it should be so much more significant if the typology is to be applied for more dynamic rather than static applications. After all, this typology caters for the volatile task environment.

Second, it has to do with the nature of the small firm. When there is more than one owner-manager, it could be difficult to know how to ascertain the managerial characteristics of the firm. For example, should the user analyse based on an aggregate view in terms of all the owner-managers? If so, how to arrive at an aggregate rating (e.g., the level of knowledge and competence)?

Third, the level of owner-manager’s knowledge and competence corresponds directly with the level of uncertainties of the task environment. However intuitively, the level of knowledge and competence should correspond with the level of structural complexity.
That will suggest that the axes of organisational configuration and that of task environment could be interchanged. Therefore for clarity, the managerial types of cell 2 and cell 3 should then be swapped.

3.7 The strategic-operational planning paradox

Posner (1985) and Sandberg et al. (2001) suggested that most SME/small firms do not plan. Possible explanations could be that planning activities reduced with the age of the firm and also that the smaller firms were less likely to plan (Gibson and Cassar, 2000). However, Sandberg et al. (2001) pointed out that planning is valuable and that strategic planning is critical for success going forward. Others suggested that the small firms do plan but tend to be informal in nature and that managerial characteristics is an importance consideration (Cooper, 1981; Thurston, 1983; Howard and Emery, 1985; Gibb and Scott, 1985 and Barry, 1988) in understanding the planning response. For example, Gibson and Cassar (2000) concluded that owner-managers were more likely to plan for those with higher levels of formal education, particularly tertiary education. The lack of education and knowledge was what Woods and Joyce (2003) found are hindrances to formal planning for these owner-managers.

A challenge for owner-managers of small firms is the need to juggle the often competing issues of strategic and operational planning. This is a somewhat paradoxical challenge because meeting short-term goals may allow owner-managers to survive in the immediate future, while failing to implement strategic activities can pose serious threats to the firm’s longer-term survival. Intuitively, small firms may be more inclined to turn towards operational activities that allow a more easily determined performance outcome that is likely to contribute to the firm’s immediate needs. Yet in a rapidly changing environment, owner-managers need to effectively implement both strategic and operational plans that consider environmental opportunities and threats, plus ever-changing environmental trends.

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

It is therefore important to understand the strategic behaviour of owner-managers from small firms, recognising that the process involves interplay between the firm’s task environment, organisational configuration and managerial characteristics (D’Amboise and Muldowney, 1988). The strategic acumen and personal commitment to strategic growth of the owner-manager are key factors that will influence the planning process (Gibb and Scott, 1985) as well as the level of perceived environmental risk and the organisational complexity (Mazzarol and Reboud, 2009).

3.8 Summary

This chapter serves to provide the theoretical background to guide the development of this thesis. The focus of which is the conceptual development of the Mazzarol and Reboud’s (2009) typology. Besides, the reviews of the strategy-as-practice perspective and the effectuation theory were informed by the theoretical directions that emerged from data coding and vice versa. These guided the refinement of the collaborative (input) decision-making concept which was suggested as a methodical contribution subsequently.

The reviews of the literatures for both chapters 2 and 3 show that the study of the planning response of the small firm is rather complex where there are many inter-related macro elements and micro activities that needed to be considered integrally. For this, the Mazzarol and Reboud’s (2009) typology is a useful tool for the present study. However, it is noteworthy that this typology appears to align with the use of causation explanation and an objectivistic approach. This is not an issue as the traditional causation theory is still relevant to help explain some owner-managers’ entrepreneurial behaviour. Still, the underlying conceptual frameworks are helpful in answering research questions, RQ5 and RQ6. This is so even though the study relating to perceived risk is more suited to the use of the constructivist approach to the resource environment. Also, the effectuation theory could explain how the firms’ goals and the planning response could potentially evolve in a highly uncertain environment or even unscientifically, by chance (Fisher, 2012).
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Chapter 4: Methodology

4.1 Introduction

The methodology used for this study involved the employment of a critical incident technique (CIT) within the primary case study method. The case studies were developed from small firms in the Singaporean motor vehicle industry. The characteristics of the case study design were retrospective, longitudinal, and explanatory. The interview questions incorporate CIT to collect data and to subsequently structure the case study protocol.

The primary unit of analysis was the owner-manager and their strategic decision-making. Here the focus was on how RP and EO influence the owner-manager's planning response. However, collaborative relationships between owner-managers and outsiders as well as insiders were investigated after taking into considerations the following readings. They are the use of D’Ambiose and Muldowney’s (1988) operational management framework to focus on the effect of managerial characteristics; Yin’s (2014) recommendation to investigate into in-between “boxed” activities; and Milliken’s (1987) suggestion to research into the effect of scanning on administrator’s response.

The data collected was qualitative in nature, generally identified as phenomena that are “naturally occurring, ordinary events in natural settings” (Miles and Huberman, 1994, p.10). Primary data collection methods employed were interviews and observations at respondents’ working premises. EO was primarily observed rather than quantitatively measured which is practised in a quantitative research. However, the observed entrepreneurial trait was substantiated with questionnaires that adopted scales taken from Certo et al. (2009). Similarly, the RP was first assessed through actual report from the respondents during the interview before being substantiated with questionnaires that adopted scales taken from Sitkin and Weingart (1995). Procedures recommended by Yin (2014) and Miles and Huberman (1994) were carefully observed to enhance reliability and validity of this study. Comparative analysis of the study’s findings was performed to improve external validity. Data taken from various sources were then triangulated for greater construct validity. Reliability was addressed through the use of case study protocol that was designed through the use of the pilot studies.
The three pilot case studies were conducted such that each case study was built upon the preceding one. The completed case study protocol (see Appendix A) was subsequently applied to the nine main case studies. Some salient questions in the study protocol are for examples, what respondents’ RP were (of pre-determined key events derived from pilot studies), what their planning response were and how their decision making process was like. Critical events such as changes in government policies (e.g., changes in the number of available COE for bidding purposes) were “enacted” based on findings derived from the pilot studies.

A qualitative methodology was chosen instead of a survey-based study because it offered broader, richer insights into contemporaneous events (Eisenhardt, 1989; Yin, 2014). More importantly based on the research questions, this study required a contextual understanding linking the planning behaviour (phenomenon) with contingency scenarios (context) that changed over time. Merz and Sauber (1992) pointed out that longitudinal analysis is more likely to aid the understanding of the benefits of strategic planning. This substantiates the value of longitudinal study here. Some examples of how the behaviour of the owner-managers was studied in contextual basis are as follows:

- To ascertain how and why resources were re-allocated when changing (if any) in the focus between strategic and operational plans.
- If RP evolves according to existing literature, how it would impact planning response.
- To understand in real-life how the evolving RP could be affected by a possible intermediary element (e.g., collaborative behaviour) or a moderating factor such as the managerial characteristics (e.g., EO) of the owner-manager.
- To study in different context, the interplay among managerial characteristics, organisational configuration and the task environment, and how these affect the planning response.

That is, the chosen overall qualitative case study approach best suited the line of inquiries required in this study. As pointed out by Edmondson and McManus (2007), such a research approach matched the nascent state of theorising externally caused risk and its relationship with internal, firm specific elements such as the organisational design and management. Theoretical sampling was performed. That means all the case studies were selectively chosen for use in the pilot study as well as in the subsequent
research proper. A comparison of the research strategies was discussed in sub-section 4.4.2 and outlined in Table 4.1 that provides support for the use of the case study research strategy.

The following sections begin with a statement of the research problem, purpose, and research framework relevant to the study. It then explains how the research questions were developed and the answers sought. It also discusses the justification for why the case study approach was selected. There is a discussion on the unit of analysis, validity and reliability issues that were informed by Yin (2014). The chapter concludes with a summary of the overall approach employed in this study and the argument for the use of it.

4.2 Research problems and motivations of the research

The author of this thesis was a corporate manager and business consultant for more than two decades. During these years, the author had observed that management were rather hasty to re-prioritise resources such that strategic plan were traded off for operational ones when they perceived high business risks. The word "hasty" was used to suggest a knee-jerk reaction of sorts whereby operational activities take centre stage to achieve near-term results.

These observations were similarly reflected by Mazzarol and Reboud (2009, p.58) in that planning in small firms is largely operationally oriented and informal in nature. Sandberg’s et al., (2001) findings suggested that strategic planning is important for the success of small firms. Furthermore, short-term reactions are unlikely to be beneficial for small firms over the long term. However, the owner-managers’ skill in operational rather than in strategic planning (Woods and Joyce, 2003) may encourage activities that produces short-term outcome. Such a reactive thrust can potentially derail crucial ongoing strategic initiatives. In addition, management may mistakenly signal to employees that operational activities are more important than strategic ones.

The literature reviewed in chapters 2 and 3 suggests that RP and EO can be the crucial impetus for organisational leaders to make changes to their plans. As proposed by Mazzarol and Reboud (2009), higher perceived environmental uncertainty and risk translates to strategic planning. On the other hand, owner-managers will respond with operational plans when they perceive lower risks.
Motivations of this study

The initial motivations into this study were first, small firms contribute significantly to an economy. Small firms are a significant component within the economies of most nations. Small to medium enterprises (SMEs) comprise more than 90%, employ more than 60% and contribute more than 50% of all value added of all the businesses in most developed and developing countries (OECD, 2010a). The World Bank (2003) recognised that small firms can help an economy to grow. Increasingly, government agencies and private financial institutions have become more active in seeking to support SMEs. Even so, the failure rates of small firms remain high while the fast growing ones, while important, represent less than 1% of all SMEs (OECD, 2010b). It is therefore important that the behaviour of small firms and their owner-managers should be well understood in especially the strategic response to a volatile task environment.

The second motivation is to address the research gap where there is a lack of study linking both RP and EO to the planning response of the small firm. The influence of RP and EO on the planning responses of small firms is one of the least understood areas in strategic management. Most of what has been published in the strategic behaviour of senior managers relates to large organisations. Also, established frameworks applicable for small firms are often limited to only a one (rarely more) conceptual area. Yet extant literatures illustrated the importance of the EO and RP constructs to managerial decision-making for planning purposes. Also, there is also a lack of usage of longitudinal approach in the current research on entrepreneurship and strategy.

The third motivation is to address the research gap in that there was no known validated framework that comprehensively integrates salient theories and concepts relating to the planning behaviour of the owner-managers. More specifically, this study paves the way for strategy scholars to potentially further their work using the validated Mazzarol and Reboud’s (2009) typology in two areas as pointed out by D’Ambiose and Muldowney (1988).

- A consistent use of the meaning and definition of the term, “small firm”: This helps in knowledge development in small business management or entrepreneurship theory. The definition of the “small firms” adhered to in this thesis could provide the impetus for a start.

- Miller and Friesen (1978) discovered that firms that have the flexibility to adapt in a highly volatile environment are likely to be successful. Therefore in theory,
owner-managers are poised to attain the firms’ goals if the “prescribed” planning response were to be adopted. An appropriate strategic planning response could help the small firms to perform better (Dollinger, 1985). Still, the relationship between planning and performance has not been conclusive. Thus, further research could extend this study to include more specifically the link of the constructs RP and EO to the performance of these small firms.

An integrated prescriptive planning response model makes sense because it aids analysis of wide-ranging inter-related strategic issues which are usually complex in practice. In addition, the concept of an integrated planning response model is in keeping with the conceptual understanding of what could define the strategy of a small firm, which is complex and multi-faceted whereby the interplay between various factors relating to planning and growth is crucial (see: Milliken, 1987; D’Ambiose and Muldowney, 1988 and Kraus et al., 2005).

Mazzarol and Reboud’s (2009) typology had yet to be confirmed with field evidence prior to this study. Testing this typology thus became the first objective of this study. Then, the validated typology would be used to generate a theory by investigating the antecedents to management’s decisions on operational-strategic planning. Putting the above together, the purpose of this research is justifiable as the knowledge generated is expected to contribute significantly in practice as well as in furthering strategy/entrepreneurship research.

4.3 Research framework and research questions

The philosophy behind the research design in this study adhered closely to notable work from Miles and Huberman (1994) in their approach in building a conceptual framework. The research framework was first developed using the labelling procedure as suggested by Miles and Huberman (1994). Theoretical concepts from the literature review formed the basis in how “bins” and arrows were drawn to show the relationships between these “bins”. This procedure helped in deciding which variables and relationships are important and in knowing what data are needed for collection and subsequent analysis. Using the “bins” approach and as shown in Figure 4.1 below, the “roles” were identified as that of owner-manager, the “characteristics” as RP and EO, and the “outcomes” as the planning response.
The planning response refers to the four types given by Mazzarol and Reboud’s (2009) typology and were labelled as “The Salesman”, “The Administrator”, “The CEO” and “The Shopkeeper”. The axes of the typology utilised factors taken from the D’Ambiose and Muldowney’s (1988) operational management framework. The two-directional arrows showed the interplay between the task environment, managerial characteristics and the organisational configuration. The “managerial characteristics” bin were measured by owner-managers’ knowledge and competence to cope with the task environment (Mazzarol and Reboud, 2009). Other characteristics included in this study were the owner-managers’ personal values, for example in their preference for autonomy, lifestyle and organisational growth. The crucial variable to observe here was the EO and how it moderated the RP as shown by the arrow labelled “RQ6”. The key variable of the “owner-manager process” bin is the level of perceived risk but the growth motivation also played a part in the eventual planning response.

Table 4.1: Research conceptual framework (Miles and Huberman, 1994)

The bidirectional arrow between managerial characteristics and organisational configuration represents the iterative interplay between the two and can be explained as follows. First, Merz and Sauber (1995, p.557) concluded that the small firms “display managerial and structural consistency when faced with similar contexts”. This suggests the two are invariably related. Then, as found by Hankinson et al. (1997) and Hankinson (2000), the firms’ operations revolved around the owner-managers. Also,
owner-managers hold executive power to the operations of their firms. This means that on one hand, owner-managers have the authority and capability to make changes to the organisational structure. On the other hand, talented employees could influence owner-managers in the planning decisions because they are likely to represent the firm’s much needed but scarce assets. Moreover, organisational structure could affect the boundary spanning activities with strategic network which could impact the availability of external resources. That is, structural design could influence the owner-managers in how they utilise their resources to achieve their goals.

Similarly as above, the bidirectional arrow between managerial characteristics and the task environment represents the iterative relationship. Owner-managers are expected to have large internal locus of control of the firm. That being the case, they (managerial characteristics) should possess power to alter the organisational structure as required. For example, the owner-managers could try to address environmental uncertainty with a matching level of organisational complexity. By doing so could mitigate the perceived risk to an acceptable level. Conversely, the task environment could directly impact the owner-managers through for examples, the advent of new technologies, effective competitors’ strategies (e.g., new product or market segment), and governmental policies such as revised taxation, import duties or matters relating to changes in vehicle ownership costs.

Strategic network perspective influences the owner-managers’ decision making as illustrated by the one-directional arrow shown in Figure 4.1 above. Entrepreneurs relied extensively on informal network and less on formal network such as bankers and accountants in implementing business plan (Birley, 1985). Nevertheless, networks are instrumental to provide insights into opportunities and garner resources (see: Adrich and Zimmer, 1986; Dollinger, 1985; Gillingham and Loucks, 1982). Dollinger (1985) found that entrepreneurs spent 59% of their time in external boundary spanning activities. Furthermore, successful entrepreneurs engaged actively with regulators, union representatives and businessmen.

Entrepreneurs need networking skills to discuss and develop mutually beneficial goals and to address controversial issues constructively (Tjosvold, 1986b; Tjosvold and Tjosvold, 1991). Thus, managerial characteristics in terms of the personality and networking capability are likely to play an important part in engaging their network. As such, “owner-manager process” (bin) were hypothesised to be influenced by both managerial characteristics as well as by the strategic network such as the customers,
suppliers, trade Association, and manufacturers. The strategic network could support the small firms with external resources and information on market trend, new technologies and human resource matter or in the form of business consulting. Still, owner-managers might persist in relying on their intuitive nature for problem-solving (Mazzarol and Reboud, 2009, p.128).

The “owner-manager process” bin leads to owner-managers’ planning decision. The latter is a decision making processing bin. It is hypothesised to process a range of input such as the perceived risk, level of environmental uncertainty, complexity of organisational configuration and managerial characteristics that include their EO, personal values, motivation for growth and preferred lifestyle.

The research questions labelled RQ 1 through to RQ 6 are shown in Figure 4.1 to show how they fit into the above research conceptual framework.

**Unit of analysis: Owner-manager and its decision-making**

To begin with, both Miles and Huberman (1994) and Yin (2014) suggested the need for a clear definition of the unit of analysis which is the “heart” or “case” of the research. According to them, a well-defined boundary helps a researcher to focus on the “case”.

As depicted in Figure 4.2 below, the unit of analysis is the owner-manager of the small firm and their decision making in relation to strategy and planning. More specifically, the case or “heart” was the strategic role played by owner-managers. This role carries the primary responsibilities of looking into the management of the firm’s strategies. Within the boundary, the case included owner-managers of all segments of the motor vehicle industry as long as those firms fall within the definition of the small firm. Also, the boundary of the case includes events occurred during the period of 2008 to the middle of 2013. The case excludes (outside the boundary of the case) other roles that owner-managers played within the firm and events beyond the period of 2008 to the middle of 2013. All other industries that were excluded were shown outside the dotted lines that represent the boundary of the case.

This unit of analysis was chosen for the following reasons. First, owner-managers are the most important entity in influencing the small firm’s strategies. Although they could be seen as synonymous with the small firm, both are conceptually different. Using the firm as a unit of analysis would entail investigation that included the age of the firm, life cycle of the organisation and of the industry, the type of industry, and all the employees of the firm. These wide ranging considerations would have increased the overall complexity of this study beyond the scope of this study. This thesis aimed at
studying the planning response of the small firms, and thus it would be most appropriate to focus on the owner-managers. This is because these owners are also the chief strategists who make key decisions that are likely to have serious ramifications. In addition to managerial characteristics, the study considered the organisational configuration and the task environment within which the firms operated (D’Ambiose and Muldowney, 1988) to ensure that the research was appropriately contextualised.

A second important issue is the strategic network (e.g., customers, consultants, suppliers) of the owner-manager, which can provide significant support to the firm (Mazzarol and Reboud, 2009, p.60). This support could potentially have the effect of having to avoid over-reliance on one supplier, to learn from consultants or customers, or to help in securing key resources (such as software updates as found in this study). The primary point of contact for this network is the owner-manager in terms of exchange of strategic views and pertinent information that could potentially influence business plans. Therefore it made sense to focus on the owner-manager as the unit of analysis. Due to its importance, the strategic network was also examined to see how it could influence the owner-manager’s decision making. That is, the operational and strategic plans would need to consider the input not only from the firm itself but potentially also from its external network.

**Figure 4.2 – The role of owner-manager as the unit of analysis.**

![Diagram](image-url)
Finally and in support of the choice of focusing on the owner-manager as the “case” for this study, the research questions examine the roles played by EO and RP of the owner-manager only. Even though the EO construct was originally developed as a measure at the firm’s level, it is hereby argued that the EO level of the firm is likely to be similar to that of the owner-manager’s EO. This is because the owner-managers are the sole executive officers that directly manage their firms. In this respect, the observed EO and substantiated by questionnaires that uses the EO scale adopted from Certo et al. (2009) is justified as a proxy measure for the EO of the firm.

Of the six research questions, the first four were meant to validate the Mazzarol and Reboud’s (2009) typology. The purpose of research questions, RQ5 and RQ6 was to explore the macro-level and firm level (internal) antecedents that lead to decision making on planning response. The research questions were shown in section 1.2 of chapter 1.

4.4 Methodical Approach

The overall research approach to answer the above research questions utilises CIT approach within the multiple case studies method. The following sub-sections further justify the qualitative approach used in this study.

4.4.1 Why multiple case studies method?

Yin (2014) suggests that “how” and “why” questions can be dealt with using case studies, experiments or histories. Both the “extent of the investigator’s control over” and the “access to contemporary behavioural events” (Yin, 2014, p.12) are two crucial considerations whether or not to adopt the experiments and histories approaches. First, histories and case studies are similar in such a way that both look from retrospective angles. However, the evidence for case studies can be interviews, questionnaires and contemporary observation whereas histories deal with the “dead” past. That is, histories method is preferred when there is no control or access over those behavioural events. By accessing respondents to gather evidence whether it is qualitative or quantitative data, case study could provide richer and wider range of data suitable for triangulation purposes (Yin, 2014). As such, case study method was preferred to the “histories” approach.
Yin (2014) recommended experiments when the behaviour to be studied could be “manipulated” such as by isolating the variables of interest into a testable system in a laboratory setting. This “manipulation” is not feasible for this study due to the large number of complex factors relating to managerial characteristics and the task environment. This would clearly exclude the use of experiments. Therefore, the case study method was the most appropriate choice after dismissing the histories and experiments approaches. In this method, qualitative data are frequently used.

The present literatures present various definitions as to what constitute a case study. The differences in researchers' views could be philosophical, epistemological or methodological (Simons, 2009). Stake (1995, p.6) defined a case study as “the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances”. The focus is on qualitative enquiry of a single case on “episodes of nuances, the sequentiality of happenings in context, the wholeness of the individual” (Stake, 1995, p.7). In his definition, he focused on in-depth study of a single person and specifically excluded teaching case studies that are commonly used in medicine, law and business faculties. MacDonald and Walker (1975, p.2) defined a case study as:

“...an examination of an instance in action. The choice of the word ‘instance’ is significant in this definition, because it implies a goal of generalisation. We might say that case study is that form of research where n=1, only that would be misleading, because the case study method lies outside the discourse of mathematical experimentalism that has dominated Anglo-American educational research.”

Both the authors looked at case study researchers as a “fusion of the styles of the artist and the scientist” whereby re-presenting data and communicating findings require artistic and literary skills. Further to the above, Merriam (1988) described case studies as “particularistic, descriptive, and heuristic, and rely heavily on inductive reasoning in handling multiple data sources” (MacDonald and Walker, 1975, p.16).

From a broader and more integrative perspective, Yin (2014) defined a case study in two parts. First, that a “case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p.18). For this study, the contemporary phenomena were primarily the RP and collaborative activities leading to a planning response within an uncertain task environment.
Yin's (2014) emphasis on the contextual meaning was also similarly highlighted by Miles and Huberman (1994) and Punch (2001). As the context of this study utilised the operational management framework given by D’Ambiose and Muldowney (1988), the boundary between the factors of this framework and the phenomena become less distinguishable. To illustrate this, the unit of analysis shown in Figure 4.1 is boxed up to contain both the “managerial characteristic” bin (partly context) as well as the “owner-manager process” bin (partly phenomenon). The second part of Yin’s case study definition was put forth as follows:

“Case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from prior development of theoretical propositions to guide the collection of data and analysis” (Yin, 2014, p.17).

This study utilised nine case studies which should be deemed to be equivalent to nine data points from a quantitative perspective. However, there were evidently more constructs than this number of data points. The construct of interest include RP, EO, knowledge and competence, environmental risk, environmental uncertainties, organisational complexity, strategic network (outsiders), managerial characteristics such as growth aspiration, preference for autonomy and lifestyle. Examples of case study method that had been used to test theory include Gersick (1988) and Harris and Sutton (1986). Thus, it is with Yin’s (2014) recommendations that informed the development of the research method to answer all the research questions.

4.4.2 The use qualitative evidence – why and how

Case study research can be undertaken using either qualitative, quantitative or a combination of both (Yin, 1981; Eisenhardt, 1989). Qualitative research is suitable in view of the complex and dynamic nature of issues surrounding the interactions among the small firms, owner-managers and the task environment (Edmondson and McManus, 2007). Also, the survey method would not be able to capture the richness of the data (Yin, 2014). For example, the author did not begin this research by assuming that the constructs such as the owner-managers’ risks and RP were understood. The author discovered through the interviews that the owner-managers mitigated their operational risks through a process of collaborative activities using established social capital. Also,
it was confirmed subsequently that the perceived risk evolved with changing task environment and organisational complexity. Cross-case comparative analysis then provided further insights into the behaviour of the owner-managers. All these support a qualitative and longitudinal approach rather than quantitative using survey.

The interviews allowed a better understanding of key constructs such as risk for example. There were perhaps some commonly known business risks. These are for examples the risks of dissonance with macro changes, the loss of essential assets (e.g., highly experienced workers) and the loss of competitiveness (e.g., lack of differentiation, scale or scope benefits). These are apparently significant risk factors that one could simply assume in a study. Nevertheless, the author adopted a more cautious approach to first ascertain a correct understanding of these predisposed notions and then to discover other significant risks if any. Eventually, the interview found out that the scale and scope of their larger competitors did not pose significant risk to the small firms. Instead, the availability of specific resources was crucial and risky. Besides, the interviews could effectively probe into how RP affect the decision-making process of the small firms. Interviews that were carried out using the CIT method (see sub-section 4.4.5) proved to be an excellent way to uncover potential rival theories during the field work. Incorporating plausible rival theories could strengthen the interpretation of the findings (Yin, 2014). Moreover, the difficulties posed in operationalising and measuring the constructs of this study suggest that the more practical and effective approach was to work with qualitative evidence. As noted earlier, qualitative data provides the “richness” that can elude quantitative survey data. For example, Starks and Trinidad (2007, p.1372) noted in their health science research that:

“Qualitative research methods enable health sciences researchers to delve into questions of meaning, examine institutional and social practices and processes, identify barriers and facilitators to change, and discover the reasons for the success or failure of interventions”.

Similarly and in support of the use of qualitative evidence, some advantages for a qualitative approach are as follows:

- To dwell deeper into the meaning of risks, RP and entrepreneurial behaviour with regards to planning response;
• To examine closely on the social practices and processes in a motor vehicle industry (context of this study);
• To identify the considerations relating to what and how owner-managers make changes to their original plans; and
• To discover the reasons for the success or failures to implement their intended plans.

Overall, the rich qualitative data enunciating from the case studies should provide substantiated evidence to answer the “how” and “why” type of research questions (Yin, 1981) and to understand the dynamics of the firm’s internal processes (e.g., owner-manager process bin in the research framework of Figure 4.1) leading to the planning response (Klein and Sorra, 1996; Piening, 2011). For example, the author could understand how governmental policies or other task environmental factors contributed to the level of uncertainties of the motor vehicle industry; how the owner-managers managed their resources in a highly volatile industry, and what owner-managers did to mitigate the limited resources prevalent in the small firms. All these were done in the respondents’ active voice through their perceptual lens.

Another important consideration in choosing a qualitative method is the contingent aspects that undergirded the study. The environmental contingents within the motor vehicle industry included the social practices at an institutional level that could influence how owner-managers plan. Pertinent questions posed to the respondents helped in understanding how the owner-managers viewed their industry and how these views could influence their planning behaviour. For example, do small firms network and collaborate or simply prefer to work in isolation? If it is the former, why and how do small firms network and collaborate? If they work independently, how do they plan? Also, why owner-managers could be indifferent to changes in their task environment? Moreover, by observing how these small firms operate in real-life at the respondents’ premises, the researcher was able to obtain greater insights into owner-managers’ management traits and firm’s operation. The contingent scenario formed part of the context of this study. Also, a panel of experts were initially interviewed during the pilot study phase to solicit their views so as to gain greater understanding of the idiosyncrasies in this complex industry.

Interviews allow the author to understand how owner-managers crafted and executed their strategic and operational plans. Regardless of whether the plans were done
informally intuitive, formally rational or a mixture of both, the research questions would require the author to probe into these areas:

- *How owner-managers crafted their plans - to gauge the formality level?*
- *How owner-managers could change their plans and why – ‘owner-manager process’ bin in Figure 4.1 above?*
- *How and why owner-managers perceived a situation to be risky (or not risk)?*
- *Based on their perceptions, how and why the owner-manager focus on operational or strategic - ‘planning response’ bin in Figure 4.1 above?*

The use of a survey method would not have been able to fully answer these research questions adequately. Finally, there is support from Smith (1978) who suggested that qualitative findings can provide undeniable high persuading power.

**Why not other qualitative evidences?**

Before proceeding, this sub-section briefly examined why some other qualitative research approaches were not selected for this study. As outlined in Table 4.1 several qualitative methods were examined against the survey method. Phenomenology could not fit along the line of inquiry for this research. The goal in phenomenology is to study how people make meaning of their lived experience; discourse analysis examines how language is used to accomplish personal, social, and political projects; and grounded theory develops explanatory theories of basic social processes studied in context.

In summary, the case study method was considered as appropriate when the form of research questions are of the “how” and “why” nature with no requirement to control behavioural events and the focus in on contemporary events as opposed to historical events (Yin, 2014). From the above discussion, the research questions for this study are largely of a “how” and “why” type. Also, the case study could rely on direct observation of the event as well as to interview the owner-managers to solicit for in-depth retrospective data without any need to control for behavioural events.
### Table 4.1: Similarities and differences of the survey and qualitative approaches

<table>
<thead>
<tr>
<th>Philosophy</th>
<th>Survey</th>
<th>Phenomenology</th>
<th>Discourse Analysis</th>
<th>Grounded Theory</th>
<th>Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Using mathematically based methods to generalise, increase knowledge or understanding of conceptual meaning - statistical generalisation</td>
<td>There exists an essential perceived reality with common features</td>
<td>Knowledge and meaning is produced through interaction with multiple discourses</td>
<td>Theory is discovered by examining concepts grounded in the data</td>
<td>Analytic generalisation and not to enumerate frequencies (statistical generalisation)</td>
</tr>
<tr>
<td>Goal</td>
<td>Theory confirmed through statistical means using cross-sectional survey data</td>
<td>Describe the meaning of the lived experience of a phenomenon</td>
<td>Understand how people use language to create and enact identities and activities</td>
<td>Develop an explanatory theory of basic social processes</td>
<td>To contribute to knowledge of individual, group, organisational, social, political phenomena</td>
</tr>
<tr>
<td>Methodology</td>
<td>Explaining phenomena by collecting numerical data that are analysed using statistics</td>
<td>&quot;What is the lived experience of [the phenomenon of interest]?&quot;</td>
<td>&quot;What discourses are used and how do they shape identities, activities, and relationships?&quot;</td>
<td>&quot;How does the basic social process of [X] happen in the context of [Y environment]?&quot;</td>
<td>(a) examine a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident</td>
</tr>
<tr>
<td>Sampling</td>
<td>A “representative” sample size from a population</td>
<td>Those who have experienced the phenomenon of interest</td>
<td>Those situated in one or more of the discourses of interest</td>
<td>Those who have experienced the phenomenon under different conditions</td>
<td>Individual case studies are to be specially selected</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Data collection</td>
<td>Design research instruments that could convert phenomenon (if not already quantitative) into mathematical form</td>
<td>Observe respondents in the context where the phenomenon is experienced</td>
<td>Observe respondents in conversation in their natural environment</td>
<td>Observe respondents where the basic social process takes place</td>
<td>Could be observation, interviews, reports, achievable data, etc.</td>
</tr>
<tr>
<td>Interviewing strategy</td>
<td>Not applicable</td>
<td>Respondent describes experience; interviewer probes for detail, clarity</td>
<td>Both engage in dialogue; interviewer probes for inter-textual meaning</td>
<td>Respondent describes experience; interviewer probes for detail, clarity</td>
<td>The use of case study protocol helps in reliability</td>
</tr>
<tr>
<td>Product</td>
<td>Generate theory through statistics</td>
<td>A thematic description of the pre-given &quot;essences&quot; and structures of lived experiences</td>
<td>Description of language-in-use; identify how different discourses shape how identities, relationships, and social goods re negotiated and produced</td>
<td>Generate theory from the range of the respondents' experience</td>
<td>Could be used to test or develop a theory</td>
</tr>
</tbody>
</table>

Note: adopted from Aliaga and Gunderson (2000); Starks and Trinidad (2007); Yin (2014)
4.4.3 Why longitudinal approach?

Bouckenoooge et al. (2007) and Ireland (2005) encouraged the use of longitudinal method in entrepreneurship studies. Literatures reviewed by Mazzarol and Reboud (2009, p.74) indicated that longitudinal research method is useful and robust. More specifically, these literatures provided support for the study on owner-managers’ characteristics and planning response.

Longitudinal rather than cross-sectional analysis provides greater insights into strategic planning (Merz and Sauber, 1992). This is because the strategic management process and performance outcome would take a much longer time horizon as compared to the “snapshot” characteristic of the cross-sectional analysis. In this study, the RP, organisational complexity and strategic plans were investigated to know if they evolve with time due to changing scenarios. As such, the research questions were appropriately answered using a longitudinal approach.

4.4.4 Why the use of holistic multiple (rather than single) case studies?

There are five possible scenarios cited by Yin (2014) that could be considered significant rationale enough to justify the use of a single (1) case study. These rationale are first, the case represents the “critical case in testing a well-formulated theory” (Yin, 2014, p.51); second, the case represents an “extreme or unique” case; third, that single case is the “representative or typical” case; fourth, is a revelatory case and finally, the single-case is the “longitudinal” case. By nature of its size and limited complexity of a small firm’s operation, it was difficult and perhaps risky to identify a small firm that could meet any of the above rationale to test the Mazzarol and Reboud’s (2009) typology. Also, the typology is complex and that means there has to be sufficient quality in depth and width in the data should a single case study is to be used.

The multiple case studies design allows replication of findings for greater analytical power for theory building (Yin, 2014). Moreover, multiple-case design could provide evidence that is more ‘compelling’ and thus contributing to a more robust study (Herriott and Firestone, 1983). Multiple case studies increase external validity and address the issue with observer bias (Yin, 2003; Eisenhardt and Graebner, 2007). For this study in particular, the multiple perspectives allowed insightful observations on the small firms’ decision-making processes (Eisenhardt, 1989; Yin, 2014). In this study, for example, the author could study in greater depth the expected ‘RP-collaborative
behaviour-planning response’ process. By doing so, it should help in strengthening the process replicability.

Yin (2014) suggested two crucial considerations in the consideration of adopting a holistic rather than embedded multiple case studies design. First, the unit of analysis and second, whether the grounding theories supporting the study are also of a holistic nature. In this respect, there was only one unit of analysis (decision-making of the owner-manager) and the foundation theory (D’Ambiose and Muldowney, 1988) that undergirded the research was integrative and holistic. Therefore, the holistic multiple case studies design could be justified.

Importantly, as pointed out by Yin (2014, p.53), a typical problem with holistic design is that “the entire case study may be conducted at an unduly abstract level, lacking sufficiently clear measures or data”. Steps were carefully enforced to help to mitigate this potential problem. For examples, three pilot case studies were conducted using CIT to ensure that the specific events that impacted RP were identified and then used in subsequent case studies interviews. Questions relating to strategic and operational plans were adopted from Robinson and Pearce (1981). Also, surveys using established EO scales (Certo et al., 2009) were conducted to help in substantiating the observed level of EO.

4.4.5 Critical Incident Technique (CIT)

CIT has been used in social science research for many years (Flanagan, 1954). It is a set of procedures for collecting data from human subjects where their behaviour can be examined and understood by reference to specific incidents they had observed or experienced. It has been applied to research in the field of marketing (Gremler, 2004). Bitner, Booms, and Tetreult (1990) defined an incident as an observable “critical” activity that could be analysed and used for predictions about a person’s future actions. “Critical” incident means that the activity makes significant contribution to a phenomenon whether positively or negatively (Bitner, Booms, and Tetreult, 1990; Grove and Fish, 1997). Chell (1998, p.56) described the CIT as:

“…a qualitative interview procedure which facilitates the investigation of significant occurrences (events, incidents, processes, or issues) identified by the respondent, the way they are managed, and the outcomes in terms of perceived effects. The objective
Within the research framework, the CIT method permits respondents to express entirely in their perspective as freely as possible, concrete information of their experiences (see: Gabbott and Hogg, 1996; Stauss and Weinlich, 1997; Chell, 1998). Respondents could express in their own terms and language during an interview that contributes further to the richness of data (Stauss and Weinlich, 1997).

Flanagan (1954) added that CIT could be helpful in solving practical problems and developing broad psychological principles. However, he pointed out the importance of objectivity in the observation which suggests a need to have a number of independent observers to make the same report. The objectivity of the observations was managed by comparing data from different respondents (cross-case comparison) as well as by comparing the observations of interviewers present during a specific interview. Finally, the CIT is an inductive method without a need for hypotheses that allows concepts and theories to be generated based on patterns emerged from the responses (Olsen and Thomasson, 1992).

The CIT method was employed in this study for two separate but related purposes. First, it was used in the pilot studies to understand what events were construed as critical and risky. Also, it was to know the events that triggered some forms of planning activities. A timeline of critical incidents with interview questions could then be drawn up to form part of the case study protocol. Second, the CIT method was subsequently utilised in all the other case studies to gain insights into the decision making processes leading to the eventual strategic and operational activities.

**Critique of CIT**

The main concerns with regards to the use of CIT are issues relate to reliability and validity (Chell, 1998). In particular, scholars highlight issues relating to the quality of data in terms of how well respondents can report with acceptable certainty or accuracy. CIT is a research procedure that is retrospective in nature and thereby data based on recollection of human memory should raise legitimate concerns. For examples, Michel (2001) pointed out possible recall bias whereas Singh and Wilkes (1996) reported that respondents may have memory lapses. To alleviate these issues, the pilot case study and the case study protocol were used in this study. In the three pilot case studies, author ensured that only truly significant events whereby respondents were familiar with were
incorporated into the case study protocol. Specifically for illustration, events that caused COE price change were topmost in the respondents’ mind for all the case studies.

Another issue relates to possible ambiguity in the coding and labelling rules when analysing the qualitative data (Weber, 1985). To mitigate this issue, the author adopted Miles and Huberman’s (1994) suggestion to compare the coding done with “coding judges” to check for consistency. In this connection for any disagreement in coding, the author discussed key terms and jointly reviewed publications with the “coding judges” until a satisfaction agreement was reached.

4.5 Research Design

According to Daft’s (2010) definition of environmental uncertainties, a complex environment presents multiple active constituents that could impact an organisation under study. The relevant environmental constituents are for examples, customers, suppliers, competitors, and the regulatory bodies. Figure 4.3 serves to illustrate the complexity of the Singaporean motor vehicle industry.

4.5.1 Why the context of Singaporean Motor Vehicle Industry?

The Singaporean motor vehicle industry was selected for two reasons. First, this industry provided the necessary environmental scenarios with varying levels of uncertainty during the last two decades, sufficient to study the decision making behaviour of the owner-managers in testing the Mazzarol and Reboud’s (2009) typology. For the purpose of illustration, Table 4.2 and Table 4.3 show the environmental elements and critical events that contributed to this complex and uncertain industry. Highly volatile environments are defined as those in which the firm interacts with a large number of these environmental elements that fluctuate in a rapid manner (Samson and Daft, 2009).

A second reason for selecting the Singaporean motor vehicle industry is that the author has extensive contacts in the motor vehicle industry in Singapore. His relatives have been actively operating two small firms in this industry for the last 50 years. The author’s family are well connected within the industry that potentially gives rise to a large pool of respondents. As such, the author was confident to gain access to the owner-managers for data.
Table 4.2: The elements of a firm within the Singaporean motor vehicle environment (Daft, 2010)

<table>
<thead>
<tr>
<th>Sectors that organisation Interacts with</th>
<th>Elements within the sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry</strong></td>
<td>Huge number of competitors for a relatively small market size.</td>
</tr>
<tr>
<td><strong>Raw Materials</strong></td>
<td>Suppliers, manufacturers, real estate, services.</td>
</tr>
<tr>
<td><strong>Human Resource</strong></td>
<td>Tight labour market. Many workers (usually Malaysians) were from across the Causeway.</td>
</tr>
<tr>
<td><strong>Financial Resources</strong></td>
<td>Loans and other financial facilities were tightly regulated by MAS (Monetary Authority of Singapore).</td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td>Relatively small in relation with the number of brands.</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Techniques of production – problematic with many recalls over the years. Luxury cars were equipped with high technology installations.</td>
</tr>
<tr>
<td><strong>Economic Conditions</strong></td>
<td>Consistently growing economy over the last two decades.</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>Build efficient public transport system.</td>
</tr>
<tr>
<td><strong>Sociocultural</strong></td>
<td>Car ownership was a success status symbol.</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>Able to attract FDIs and little entry barrier for motor vehicle manufacturers. Rather competitive with no local car brand.</td>
</tr>
</tbody>
</table>

The motor vehicle industry is fairly large if broadly defined and encompasses manufacturing, distribution and service. There are around 60 brands of car sold in
Singapore and some 40 distributors for a relatively small market. In 2012, there were nine cars to a hundred persons in Singapore. Compared to Hong Kong, Singapore had close to 30% more cars per 100 persons (LTA, 2012). Given the limited land space in this small city state, managing the number of cars on the road has become a crucial issue for the government. The key strategy by the Singapore government to curb its car population growth is by increasing ownership costs. Also, the government imposes tight regulation on the importation of motor vehicles and their sale and distribution. There were an estimated 644 firms operating in the industry (sgdrive, 2011) most of which were SMEs by OECD’s (2010) definition. **Figure 4.3** provides an overview of the relationships of the various segments within this industry.

Motor vehicle owners in Singapore were subjected to a hefty ownership cost in the form of a mandatory Certificate of Entitlement\(^6\) (COE). The COE prices were constantly fluctuating due to governmental actions aimed at controlling the increasing number of vehicles on the road. With more than 644 firms serving a population where only 10% were motor vehicle owners, the competitiveness of this sector was especially keen and the task environment understandably volatile. In the context of this research, the focus were on small firms such as the car distributors, parallel car importers, car dealers, car exporters and car rental firms. All these multiple segments of firms formed a large proportion of all the firms of this highly volatile industry.

As compared to regional motor vehicle industries, Singapore’s competitive landscape was unique in that it did not possess domestic manufacturing capacity but instead relied entirely on importing finished units (Business Monitor International, 2010). As a result, this sector subjected its supplies to global uncertainties such as the global financial crisis and the recall of cars which had increased in frequency over the years. The size and nature of Singapore also meant that policies introduced with regards to owning a vehicle in Singapore were unique in its own. For example, the Off-Peak Car (OPC) scheme had also undergone various changes since its introduction in 1994 to increase their usefulness which included longer usage hours and cash rebates. Since 2010, OPC owners were now able to drive full days on the eve of five major public holidays instead of only after 3pm in the afternoon.

Other notable environmental changes are given in **Table 4.3** which took place during the period from year 2002 to 2013. Some of the highlights that contributed to the

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\(^6\) COE was introduced as part of the Vehicle Quota System in 1990 to manage growth rate of vehicle population.
environmental volatility are as follows: the reduction in import duties (2002); taxation rules to encourage “green” vehicles (2005); changes to motor vehicle lifespan (2006); rising fuel costs (2007); increases in car licensing (2009); and disruptions on the MRT public transport system (2011). The frequency of changes with regards to all or most of the environmental factors resulted in uncertainties to the owner-managers (Daft, 2010) that increase business risks. An uncertain environment poses greater challenges for owner-managers to respond in a timely fashion for assets to be better utilised. The uncertainties of the motor vehicle industry due to a span of critical events provided scenarios suitable to examine the risk perceived by the owner-managers. Nonetheless, COE issue appeared to be the primary cause of uncertainty and posed significant risk to the small firms in this industry.
### Environmental Factors

<table>
<thead>
<tr>
<th>Legal Factors (cont’d)</th>
<th>Complexity</th>
<th>Stability</th>
<th>Implications on Small Firms</th>
</tr>
</thead>
</table>
| 1. Government Road Tax | • Road tax rebate\(^7\) of 30% in 2009  
• Lowered\(^8\) Road tax by 15% in 2008  
• Vehicle tax structure\(^9\) revamp in 2007:  
  \(\text{Decrease}\) upfront taxes\(^{10}\) and \(\text{increase}\) usage taxes\(^{11}\)  
  \(\rightarrow\) Cost of travel made more evident  
  \(\rightarrow\) Emphasis of traffic management shifted from charging for ownership to charging for usage  
• Tax relief\(^{12}\) for “green” cars\(^{13}\) in 2005-2011  
  \(\rightarrow\) Demand for such cars may increase | Road tax payable has been subject to various changes over the past few years due to rebates and structure revamps. | Affects certain purchasing and pricing decisions due to changes in demand for motor vehicles |
| 2. Vehicle Import Duties | • Lower import duties (31% to 20%) in 2002 resulting in cheaper imports i.e. cost of car ownership decreases | No change as of 2002 | Provide opportunities for business growth |
| 3. Other Schemes | • Off-peak Car (OPC)\(^{14}\) Scheme and Classic Car Scheme\(^{15}\)  
  \(\rightarrow\) Encourages car ownership to some extent  
• Removal of 10-year statutory lifespan of rental cars/new cars allowed for private hire ruling  
• Revised OPC scheme\(^{16}\) (for extended hours of usage); includes road tax top-up | Several Revisions of schemes and introduction of new car ownership-related schemes over 10 years. | Affects certain purchasing and pricing decisions with regards to the various car schemes |

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\(^7\) Rebate for one year with effect from 1 July 2009 due to economic downturn ([http://app.lta.gov.sg/corp_press_content.asp?start=2076](http://app.lta.gov.sg/corp_press_content.asp?start=2076)) \(^8\)Road tax for cars, motorcycles, taxis, buses and goods vehicles was lowered by 15% from 1 July 2008 ([http://www.onemotoring.com.sg/publish/onemotoring/en/lta_e_services/online_enquiries/road_tax_calculator.html](http://www.onemotoring.com.sg/publish/onemotoring/en/lta_e_services/online_enquiries/road_tax_calculator.html)) \(^9\)See Appendix 7.1. \(^{10}\)E.g. Registration Fee (RF), Additional Registration Fee (ARF) \(^{11}\)E.g. Electronic Road Pricing (ERP) scheme (implemented in 2008) \(^{12}\)40% reduction in ARF \(^{13}\)Hybrid electric cars, Compressed Natural Gas (CNG) cars and Euro IV diesel vehicles \(^{14}\)Car usage is restricted to off-peak hours in return for discounts in registration fee (RF) and road tax. Under this scheme, more people were allowed to own cars without interfering with the LTA’s efforts to reduce traffic congestion due to higher car ownership rates \(^{15}\)Allowed Singaporeans to own well-preserved old cars; road taxes are substantially reduced under this scheme and owners need not bear the full cost of the COE
<table>
<thead>
<tr>
<th>Economic Factors</th>
<th>1. Certificate of entitlement (COE)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• COE premium is a <em>direct cost factor</em> of new vehicles</td>
</tr>
<tr>
<td></td>
<td>COE premium prices fluctuate from round to round of bidding. Within the span of a year(^1), the changes in pricing can vary from -11% to more than 22%.</td>
</tr>
<tr>
<td></td>
<td>Wholesale fuel prices make up about 50 percent of pump prices here in Singapore(^2). These wholesale prices are the result of the actions of thousands of buyers and sellers operating in a global marketplace thus are subjected to international supply and demand forces which are highly uncertain.</td>
</tr>
<tr>
<td></td>
<td>SMEs may alter their strategy according to fluctuating COE prices</td>
</tr>
<tr>
<td>2. Petrol Prices</td>
<td>• Significant portion of car usage cost</td>
</tr>
<tr>
<td></td>
<td>High petrol prices may reduce demand for motor vehicles</td>
</tr>
<tr>
<td></td>
<td>Consumers switch to public transport(^3) or &quot;green&quot; cars to save on petrol costs(^4)</td>
</tr>
<tr>
<td></td>
<td>COE premium prices fluctuate from round to round of bidding. Within the span of a year(^1), the changes in pricing can vary from -11% to more than 22%.</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Affects certain purchasing and pricing decisions due to changes in demand for motor vehicles</td>
</tr>
<tr>
<td>3. Global Financial Crisis(^5)</td>
<td>• Rising unemployment</td>
</tr>
<tr>
<td></td>
<td>Reduced consumer spending</td>
</tr>
<tr>
<td></td>
<td>May need to budget for lower sales/alter purchasing and pricing decisions</td>
</tr>
</tbody>
</table>

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\(^2\) Private Car Rental Scheme (http://www.lta.gov.sg/motoring_matters/motoring_vo_policynschemes_private.htm)
\(^3\) COE Price Changes from each round of bidding (http://www.st701.com/cars/coe/COE_2010.html)
\(^4\) Commuters made some 42 million trips on SMRT’s trains in the month of May, a new record high. (The Edge Singapore, 14th July 2008)
\(^5\) US sub-prime crisis in 2008; Singapore’s economy went into a technical recession in the second half of 2008 and is projected to contract between 2% and 5% for the year 2009
### Technological Factors

<table>
<thead>
<tr>
<th>1. <strong>Green cars</strong></th>
<th>Frequency of new technology being introduced increases the chances of older models of cars becoming obsolete in the future; procuring decisions need to be planned out ahead.</th>
<th>SME may need to consider green cars as a growing trend to car ownership and alter their procuring decisions for changes in motor vehicle demand</th>
</tr>
</thead>
</table>
| • The desire to lessen environmental impacts and reduce oil dependence spurred interest in alternative fuels\(^{23}\) and green technologies  
• Improvement in technology allows more features (e.g. safety and entertainment) in green cars  
• Hybrids and diesel-powered becoming increasingly more efficient due to new emissions technology\(^{24}\)  
• Increasingly affordable and efficient green cars | Singapore firms do not possess manufacturing capabilities. As such, technical recalls and similar problems are outside the scope of control by firms that sell these products. This reinforces the sense of uncertainty and instability due to the lack of control or immediate control in terms of product quality. | Affects certain purchasing decisions with regards to demand and supply of certain car models |
| 2. **Recent recall of Toyota cars** | Frequency of new technology being introduced increases the chances of older models of cars becoming obsolete in the future; procuring decisions need to be planned out ahead. | SME may need to consider green cars as a growing trend to car ownership and alter their procuring decisions for changes in motor vehicle demand |
| • Toyota conducted a safety recall\(^{25}\) on 29 September 2009 to address the risk of floor mat entrapment of accelerator pedals in certain Toyota and Lexus models, affecting some 3.8 million vehicles  
• Another recall in January 2010\(^{26}\) affected another 2.3 million vehicles in the US  
• Another recall in January 2011\(^{27}\) due to defects, which might lead to possible fuel leaks  
• Latest recall in June 2011\(^{29}\) due to defects to the electronic board that will cause vehicle to stop | Singapore firms do not possess manufacturing capabilities. As such, technical recalls and similar problems are outside the scope of control by firms that sell these products. This reinforces the sense of uncertainty and instability due to the lack of control or immediate control in terms of product quality. | Affects certain purchasing decisions with regards to demand and supply of certain car models |

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23 E.g. Ethanol, Natural Gas, Biodiesel, Hydrogen Fuel Cells, Electricity, Air.  
24 [Future Car Trends – AOL](http://autos.aol.com/article/future-car-trends/)  
25 [Toyota Official Website](http://www.toyota.com/recall/floormat.html)  
26 To fix potentially faulty accelerator pedals in an admission of more wide-ranging problems with dangerous acceleration in its cars and trucks – [Reuters](http://www.reuters.com/article/idUSTRE60K6J420100121)  
27 To inspect for loose fuel pressure sensor that is connected to the engine fuel delivery pipe, which might result in the worst case scenario of fuel leaks – [TMChen](http://topnews360.tmcnet.com/topics/associated-press/articles/2011/01/29/139490-toyota-recalls-17-million-cars-fuel-leaks.htm)  
28 [Lexus IS 250 Sedans (733), Toyota Mark X (441), Crown (18), Voxy (11), Wish (4), Noah (4), Isis (1) – The Straits Times](http://www.straitstimes.com/BreakingNews/Singapore/Story/STIStory_629652.html)  
29 [viewed 1st July 2011](http://pressroom.toyota.com/safety-recall/)

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Figure 4.3 Overview of the Singaporean motor vehicle industry
4.5.2 Data collection and data analysis design

The case study interviews and site observations were the primary source of data that were supplemented by secondary data from internet websites, publications from government agencies and press releases. It was difficult to know the operations and the management of a small firm because many of them did not have the firm’s information that can be publicly assessed. For examples, they typically do not host a website or is significant enough to be reported by the media. It was also difficult to know about them through social media, Google or any commercial databases. Therefore, it was through personal contacts and snowballing of these initial contacts that eventually led to the final list of case studies. This is in line with Yin’s (2014) suggestion that cases should be specially chosen that are supported by theory. Also in consideration, each case was chosen based on whether it could be defined as a “specific, real-life case to represent the abstraction” (Yin, 2014, p.34). Simply put, the cases were selected so as to be able to answer the research questions.

Adhering to Yin’s (2014) recommendation, a draft case study protocol was developed for the pilot study and then subsequently refined for use in the multiple case studies. The case study protocol was important to ascertain that appropriate questions were crafted regarding the timeline and critical events. One specific pilot case study (out of the three conducted) was carried out with a panel of industry experts that had helped the author to understand more about the industry, the objective of governmental policies and other environmental contingencies. An important outcome of the pilot case study phase was a completed case study protocol consisting of the timeline of critical events, procedures and interview questions. But first the draft case study protocol was translated into the Chinese language whereby the precision of the translation was tested during the pilot study exercise. The translated version was important in communicating with any respondents who were not entirely proficient in English.

Drawing on the in-depth interviews and observations, a descriptive story of each case study was documented and analysed based on the factors laid out by D'Ambiose and Muldowney (1988). In undertaking the cross-case analysis, the descriptive stories were transformed into vignettes as recommended by Miles and Huberman (1994) in order to succinctly describe how owner-managers engaged in the planning process. It also assisted in the assessment of their RP and EO. The planning responses of the owner-managers were then mapped against the Mazzarol and Reboud's (2009) typology.
In addition, respondents completed the questionnaires which were used to substantiate the observed EO of the small firms. Thus, the owner-manager’s EO was appropriately used as the proxy for the firm’s EO.

**Multiple-case sampling**

This research employed the replication logic for a more robust finding (Firestone, 1993; Yin, 2014). The replication logic is akin to multiple experiments (Hersen and Barlow, 1976) whereby the aim is to replicate the initial finding with subsequent findings. Yin (2014) suggested that six to ten cases for a multiple case studies design and should utilise replication rather than sampling logic. To increase robustness of the findings, all the nine cases were specially selected to achieve both literal and theoretical replications. Seven case studies were in support of literal replication. Theoretical replications were achieved with the remaining two case studies.

**Figure 4.4: Testing theory research design**

As suggested by Yin (2014) for multiple-case studies, generalisation is done by generalising from one case to the next on the basis of a match to the underlying theory, not to a large universe. The goal is one of analytical generalisation and not statistical generalisation. The choice of cases was made based on conceptual grounds relating to the Mazzarol and Reboud’s (2009) typology, not on representative grounds. That is,
qualitative samples were purposive rather than random (Kuzel, 1992; Morse, 1989). The first informant snowballed to subsequent ones that were utilised in either literal or theoretical replications. The research design is shown diagrammatically in Figure 4.4 below. Chapter 5 details the data collection process and how the research design was implemented. Chapter 6 outlines the coding and analytical process using the chain of evidence to test the Mazzarol and Reboud’s (2009) typology (RQ1-4). At the same time, the findings are evaluated to answer the other research questions, RQ5 and RQ6.

4.5.3 How validity and reliability were tackled?

Yin (2014, p.46) suggests four tests to assess the quality of any empirical social research. This section aims to outline the tactics adopted in dealing with these tests. For convenience, the four tests are reproduced here as follows:

- **Construct validity**: identifying correct operational measures for the concepts being studied
- **Internal validity**: seeking to establish causal relationships, as distinguished from spurious relationships
- **External validity**: defining the domain to which a study’s findings can be generalised
- **Reliability**: demonstrating that the operations of a study can be repeated with the same results

This study employed the tactics as suggested in Yin (2014, p.45) which were outlined as Table 4.4 below.

**Table 4.4: Tactics to address validity and reliability**

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case Study Tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
</table>
| Construct Validity   | • Use multiple sources of evidence  
                        | • Establish chain of evidence  
                        | • Have key informants review draft case study report | • Data collection  
                        |                                                                                  | • Data collection  
                        |                                                                                  | • Composition       |
| Internal Validity    | • Do pattern matching  
                        | • Do explanation building  
                        | • Address rival explanations  
                        | • Use logic models          | • Data analysis  
                        |                                                                                  | • Data analysis      
                        |                                                                                  | • Data analysis      
<pre><code>                    |                                                                                  | • Data analysis      |
</code></pre>
<table>
<thead>
<tr>
<th>External Validity</th>
<th>Use replication logic (not sampling logic) in multiple-case studies</th>
<th>Research design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>Use case study protocol</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>Develop case study database</td>
<td>Data collection</td>
</tr>
</tbody>
</table>

### 4.6 Summary

This chapter outlined the methodological approach to this study. It explained why case study method was appropriate for the line of inquiry presented by the “why” and “how” type of research questions (Yin, 2014). The key advantage of the qualitative approach is that rich qualitative data could provide greater insights into the decision making process of the owner-manager within contingency context. The research conceptual framework was guided by Miles and Huberman (1994).

Guiding the methodology was Yin’s (2014) recommendations for case study development are the use of a case study protocol and the pilot case study. As such, nine case studies were developed for this study with each firm selected from within the Singaporean motor vehicle industry. Prior to this, the pilot study phase was carried out using three case studies. The pilot studies served to draw up a case study protocol for use in subsequent case studies. The selection of this industry was attributed to its significant environmental volatility whereby perceived risk of the uncertainties and other macro elements could be studied longitudinally. As proposed by Eisenhardt (1989) and Yin (2014), the selection of cases was driven by theoretical rather than a random sampling approach.

The key unit of analysis for the cases was the owner-managers and their strategic decision-making on planning responses. The primary purpose of this study was then to look into the roles played by their EO and RP in the small firm’s planning response. One key assumption made in this study was that the EO of the owner-manager was a suitable proxy for the EO of the firm and that this EO remained practically unchanged throughout the period under investigation. That being the case, the EO profile that was observed and assessed during the interview was assumed to be as it was during the period under study.

CIT was also used in the interview process to probe into the strategic decision-making process of the small firms over the time period spanning from year 2002 to middle
2013, a period encompassing significant changes to the industry and including the Global Financial Crisis (GFC). The CIT method had been used successfully to examine longitudinal data from interviewees and where managerial problems and theory development are concerned (Flanagan 1954; Keaveney 1995).

The interviews were undertaken by trained interviewers using the discussion protocol. All interviews were audio recorded and held in Chinese (Mandarin) as well as English. The case study protocol was translated into Chinese language and attention was given to accuracy in translation and the meaning of words used in the question items. The nine cases examined here were selected for their ability to provide good longitudinal data for the time period under examination.

The operational measures for RP and EO were adopted from Sitkin and Weingart (1995) and Certo et al. (2009) respectively. As explained earlier in this chapter, the EO was “measured” through both observation and the use of questionnaire rather than survey that uses validated scales. Questions relating to strategic and operational plans were adopted from Robinson and Pearce (1981). These measures were used within the case study protocol and subsequent analysis, which assisted in guiding the reliability of the observations in relation to these measures.

The chapter concluded with a discussion of tactics employed in this study to address the validity and reliability issues.
Chapter 5: Data Collection

5.1 Introduction
This chapter describes the data collection procedures and the philosophy behind the data collection strategy. Yin (2014) provided the guidance in the overall design approach which was adopted in this study. Guion et al. (2011) described data collection as the aim of arriving at “true and certain” findings. So, one important objective of data collection is to realise the research design with a high level of overall validity and reliability. Tapping on the notion of “garbage in, garbage out” which is a common quote from the computer science field, one pre-requisite of a good analysis is good data. Therefore, it is imperative to collect high quality, high fidelity data before turning in for analysis. To achieve this, impeccable preparations are warranted.

The next section outlines the preparations for data collection. The collection of evidences was carried out by four "data collectors" comprising of three interviewers and the author. Yin (2014) considers the following activities to be integral parts of preparations: training for case study, developing a case study protocol, screening candidate cases and conducting a pilot case study. First, a key component of the training activity was the selection and training of the interviewers. Together with the interviewers, a draft case study protocol was prepared for use in the pilot investigation before it was subsequently finalised and applied in the main case studies. The protocol employed CIT method in crafting the interview questions. A data collection process and interview guidelines were included in this protocol. The rationales for the case selection were in accordance with the theoretical sampling approach and in consideration of the social research ethics. The summary section provides an overview of the salient points of this chapter.

5.2 Overall design approach
The overall data collection approach to increase validity and reliability adhered closely to Yin’s (2014) principles of data collection. This entails using multiple sources of evidence for triangulations, maintaining both case study database and a chain of evidence. To implement these principles, rigorous efforts were put into the preparations stage before the data collection proper. Some key preparatory activities that are outlined in the following sections are the training of interviewers, selection of cases, and the
development of the case study protocol. Questions crafted for the case study protocol incorporated the CIT method which helped in enacting appropriate retrospective scenarios. To achieve the latter, a pilot study consisting of three cases were conducted that allowed the author to gain insights into both the industry and the characteristics of the owner-managers.

The pilot study was an important phase to address potential bias and assumption issues which are common in case study method (Yin, 2014). The fact that the author has been living in Singapore for all his life and is familiar with the motor vehicle industry could be a double-edged sword in this research. On one hand, it was advantageous that the author's background and extensive contacts helped in accessing information and field data. On the other hand, preconceived ideas, assumptions and bias could impair other perspectives such as the advent of plausible rival theories uncovered during the study. As pointed by Yin (2014), there could potentially be a tendency for researchers to use case study to substantiate a preconceived position.

The data collection design considered achieving efficiency in the interview process. One area of concern is in the communication with the owner-managers. Many owner-managers had working knowledge of English with some more at ease with the Chinese language. This led the author to translate the case study protocol into Chinese and also to ensure that the four data collectors (author inclusive) could conduct the interview in Chinese. In part, this explains the need of the three interviewers as they have had good command of the Chinese language. More importantly, the three interviewers rendered their perspectives of the data (e.g., observational evidence) and thus contributed to another triangulation point (theory triangulation) which addressed the preconception issue mentioned above. Besides, they provided a contrasting point (rival theory) to author's findings to achieve theoretical replication.

Selection of the candidate case studies was based on theoretical rather than statistical sampling. There were two groups of specially selected respondents. One group comprises of three pilot cases and the next group constitutes the nine main cases. The nine cases were selected because their planning responses were similar to one or more of the four cells outlined in the planning typology given by Mazzarol and Reboud (2009). All interviews were audio recorded, transcribed and then verified to be 'true and correct' by respondents.
5.2.1 Aims and purposes of evidence

The methods to gather evidence for this study are observation, interview and the use of RP and EO questionnaires. Only one focus group interview was conducted and that was carried out as one of the three cases at the pilot study stage.

Observation

Most literature on qualitative data collection methods generally categorises observation into two types. These are direct (non-intervention) and participant observations. Direct observation allows behaviour to be observed in its natural setting. That is, there is no prior arrangement made with participants for the purpose of observing behaviour. Direct observation was practiced in some cases whereby there were indications that further evidences could be obtained for triangulation purposes. For example in one interview, one respondent claimed that he was relatively not involved in the day-to-day operations and had become more strategic in recent years. Subsequently, the author visited the workshop to observe how involved the owner-manager was in the operation of the firms.

“Disguised” participant observation technique is one whereby the observed persons were unaware that they were being observed. The rationale for using this technique lies with the belief that observed individuals may change their behaviour if they are aware that their behaviour was being observed (Zechmeister et al., 2009). The “disguised” participant observation was applied in a few cases whereby author felt that more data could be obtained. For example in one relatively more complex case (case ‘E’), the author patronised the small firm to confirm the use of specific technologies in the work process. By doing so, the author could increase the scope and depth of direct observation.

Open-ended interview (in-depth interview)

Simons (2009) suggests four major objectives to open-ended interviewing. First, it is to document respondent’s perspective of a specific topic. Patton (1980, p.196) describes it as “to find out what is in and on someone else’s mind”. For example, when asked about the prospect of taking the firm to the next level, a few respondents were noted to be contented with status quo performance.

Second, an active dialogue between the interviewer and the respondent could enhance the identification and the analysis of issues. For example, one interview session
revealed that he (owner-manager) initially cited his reason for refusal to engage consultants now was because there was not a need of them since the owner-manager himself was capable of working out his own plan. On further probing, it became clear that the actual reason was that these business consultants were good in formulating plans but were reluctant to implement alongside with them.

Third, an open-ended interview allows probing into a topic for deeper response or changing to an emerging topic. Small firms with limited human resource may lead one to think that attrition issue is risky to the owner-managers. However, in a few cases, it was found that only attrition issue of key employees was worrisome. In these cases, it appeared that their external network was instrumental in mitigating the risk of losing the ‘non-key’ workers.

Fourth, it is to supplement observation through uncovering unobserved feelings and events. For example, changes in COE (certificate of entitlement) were assumed to be a major concern to all small firms. That assumption came about after several interviews that reinforced author’s belief over time. However, it was found that there were respondents who were not overly concerned by it even though they felt that fluctuation in the price of COE contributes to business uncertainties.

**Focus group interview**

The participants in this focus group were chosen because they were key appointment holders from the Automobile Importer and Exporter Association (AIEA) and Singapore Vehicle Traders Association (SVTA). Both these associations function as the interface between the government and the small firms in the motor vehicle industry. The group interview aimed at exploring and soliciting the industry’s experts’ opinion on the following - the idiosyncrasies of the motor vehicle industry, the management of small motor vehicle firms and issues relating to uncertainties in the task environment.

**Questionnaires**

The questionnaires were not meant to collect survey data for a conventional quantitative analysis. Instead, its purpose was to obtain more evidence to support the RP and EO traits observed during the interview. The answers to the questionnaires on EO were used to triangulate with the interview data, whereby both data considered together could corroborate the owner-manager’s level of entrepreneurial orientation.
5.2.2 Principles of data collection

Three principles of data collection (Yin, 2014) helped in establishing better construct validity and reliability of the data. The first principle suggests the use of multiple sources of evidence.

Multiple sources of evidence

When more than one source of evidence supports a fact, triangulation is considered to have been achieved (Sieber, 1973; Yin, 2014). Denzin (1978) and Patton (2002, cited in Yin (2014, p.120)) identified four types of triangulation – of data sources (data triangulation); among different evaluators (investigator triangulation); of perspectives to the same data set (theory triangulation); and of methods (methodological triangulation).

As compared with relying on a single source of evidence, case studies that utilise multiple sources were rated highly for overall quality (COSMOS Corporation, 1983 cited in Yin (2014). As pointed out by Yin (2014), the most important advantage in using multiple sources in data triangulation is the “development of converging lines of inquiry” (p.115) to triangulate and corroborate the same fact or phenomenon for a single case study.

Figure 5.1: Multiple sources of evidence

However, Yin (2014) also suggests using multiple sources of evidence in a non-converging (i.e., non-triangulating) approach for multiple cases, comparing conclusions derived from different sub-studies. That is, cross-case synthesis can be applied in this
approach. As suggested by Yin (2014, p.121), this study utilised both the convergence and non-convergence approaches illustrated in Figure 5.1 above.

In support of the triangulation approach, Thurmond (2001, p.254) put forth the benefits of triangulation to include:

“...increasing confidence in research data, creating innovative ways of understanding a phenomenon, revealing unique findings, challenging or integrating theories, and providing a clearer understanding of the problem”.

Triangulation is useful to address potential bias perception of a single party’s view (Thurmond, 2001). Furthermore, a combination of different triangulations would strengthen the validity as well as uncover deeper meaning in the data (Patton, 2002).

Table 5.1: Triangulation of multiple sources of evidence

<table>
<thead>
<tr>
<th>Case</th>
<th>Evidence Type</th>
<th>Triangulation type (theory, data)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Open-ended interview</td>
<td>Theory (Pilot study)</td>
</tr>
<tr>
<td>B</td>
<td>Focus group interview</td>
<td>Theory (Pilot study)</td>
</tr>
<tr>
<td>C</td>
<td>Open-ended interview</td>
<td>Data; Theory (Pilot study)</td>
</tr>
<tr>
<td>D</td>
<td>Direct; open-ended interview; “disguised” participant observation; physical evidence</td>
<td>Data; theory</td>
</tr>
<tr>
<td>E</td>
<td>Direct; open-ended interview; “disguised” participant observation; physical evidence</td>
<td>Data; theory</td>
</tr>
<tr>
<td>F</td>
<td>Direct; open-ended interview; physical evidence</td>
<td>Data</td>
</tr>
<tr>
<td>G</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>H</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>I</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>J</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>K</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>L</td>
<td>Open-ended interview</td>
<td>Data</td>
</tr>
<tr>
<td>M</td>
<td>Open-ended interview</td>
<td>Data; theory (for training purpose)</td>
</tr>
<tr>
<td>N</td>
<td>Open-ended interview</td>
<td>Data; theory (for training purpose)</td>
</tr>
</tbody>
</table>
Thus to increase validity, this study used a combination of data and theory triangulations. The different approaches on the use of multiple sources of evidence and the types of triangulation are shown in Table 5.1 above. The next principle is in creating a case study database.

**Creating a case study database**

The second principle requires investigator to organise and document data such that the raw data could be accessible for inspection by any independent party. Case study researchers could increase the reliability of the entire case study by maintaining a case study database (Yin, 2014). The data for the multi evidences in this study has been maintained in databases for future research or examination. The third principle serves to increase the reliability of the case study through maintenance of a chain of evidence.

**Chain of evidence**

Applying the third principle increases the overall quality of the case study as well as the reliability of the data (Yin, 2014). Maintenance of a chain of evidence allows an audit trail of facts which are obtained during the process of arriving at the conclusions right from the research questions. This study adopted the chain of evidence structure as suggested by Yin (2014, p.128) and as shown in Figure 5.2 below.

**Figure 5.2: Maintaining a chain of evidence**
The bi-directional arrows mean that any external auditor or observer should be able to trace the evidence from either direction. Essentially, the chance of losing original evidence could be minimised if the chain is kept intact. Implementing both the second and third principles together would help in managing large amount of qualitative data for data analysis.

5.3 Preparations

Table 5.2 below shows the preparation process that was adhered to in this study.

5.3.1 Data collection process

As listed in Table 5.2 there were 15 steps followed in the data collection process. The purpose of step 1 was to identify the required scenarios whereby data could be collected for analysis. This step was based on the author’s knowledge of the car industry in Singapore. Step 1 provided a head start for step 2. However, this was insufficient to develop the final interview questions. To ensure completeness and to safeguard against bias or wrong assumptions, steps 2 and 9 (getting feedback from the pilot study) were crucial. Yet step 2 provided specific details to key events that were reported to have generated significant publicity relating to the motor vehicle industry.

The timeline in step 3 was made as comprehensive as possible by considering more than twenty years of events initially. This was to allow respondents (during the pilot study) ample time span and sufficient number of critical events (to the individual respondent’s perspective) to deliberate during the interview. True to the CIT approach, only those critical incidents that respondents could recall clearly during the pilot study formed the final list of key events. The word “critical” may mean risky events or situations that pose threat to the small firms. However, it could also be opportunistic scenarios.

Steps 4 and 5 provide broad background knowledge of the motor vehicle industry in Singapore. As explained in chapter two of this thesis, there was sufficient turbulence within the industry to justify the use of it as the study context and for data collection.

The draft protocol completed in step 6 were then sent to the University's ethics committee for approval (step 7) before the data collection proper (step 9). In step 8, author had to look for firms (cases) where ideally the four cells of Mazzarol and Reboud’s (2009) typology would have at least two cases supporting each cell – each cell representing a planning response within the boundary of the research timeline as depicted in step 3.
Special care was given to steps 9, 10 and 11 because the protocol would significantly increase the case study reliability (Yin, 2014). The interviews in the pilot study were crucial to ascertain that the translation done for the protocol (which includes also the RP and EO questionnaires) was accurate and reliable.

Table 5.2: Data Collection Process (adapted from Yin, 2014)

<table>
<thead>
<tr>
<th>Step No.</th>
<th>Description of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Based on author’s experience in the motor vehicle industry, identify possible events whereby data can be collected.</td>
</tr>
<tr>
<td>2</td>
<td>Secondary research on major happenings relating to Singapore motor vehicle industry. The focus was on major changes to governmental policies associated with ownership cost, small firms’ operating costs, and new technologies that have impacted the environment and occurrence of car recall (quality issue).</td>
</tr>
<tr>
<td>3</td>
<td>Draw out a timeline of events based on the above.</td>
</tr>
<tr>
<td>4</td>
<td>Secondary research broadly on the automobile industry at large and the motor vehicle industry in Singapore.</td>
</tr>
<tr>
<td>5</td>
<td>Draw the industry value chain based on the above.</td>
</tr>
<tr>
<td>6</td>
<td>Do up a draft case study protocol bearing in mind that the critical incident technique (CIT) would be used. Incorporate questionnaires on RP and EO into the draft protocol.</td>
</tr>
<tr>
<td>7</td>
<td>Seek approval from University’s ethics committee.</td>
</tr>
<tr>
<td>8</td>
<td>Screen candidate cases for pilot and main case studies.</td>
</tr>
<tr>
<td>9</td>
<td>Conduct pilot case studies.</td>
</tr>
<tr>
<td>10</td>
<td>Write up pilot case study reports.</td>
</tr>
<tr>
<td>11</td>
<td>Revised, verified (by respondents) and finalised case study protocol.</td>
</tr>
<tr>
<td>12</td>
<td>Cold call as well as made appointments with respondents.</td>
</tr>
<tr>
<td>13</td>
<td>Conduct case study interviews (audio recorded) and subsequently complete the RP and EO questionnaires.</td>
</tr>
<tr>
<td>14</td>
<td>Transcribed audio data. Write up case study reports and seek verification from respondents in the correctness of content.</td>
</tr>
<tr>
<td>15</td>
<td>Maintaining a chain of evidence</td>
</tr>
</tbody>
</table>

Author made appointments with candidate firms (step 8) that were personal contacts or from family’s business network. Unsolicited calls were made for those suitable firms unfamiliar to the author (step 12). Only those owner-managers who agreed to be audio
recorded and understood the research objectives completed step 13. To increase the reliability of the study, case study reports were verified by respondents (step 14). Step 15 requires constant linking of case study reports, protocol, databases, and cross-referencing to the methodological procedures and evidence. It was therefore not a final step per se but a continual exercise within the data collection phase.

5.3.2 Competence of data collectors

Prior to this data collection stage, the author wrote seven SME case studies in the last two years as part of a consulting work for the Ministry of Manpower in Singapore. In the course of writing these case studies, the author interviewed 38 respondents comprising of owner-managers, key managers or employees of these SMEs. Besides the interview, the author had to gather other forms of data through observation, company’s brochures, and other publicly available information on these SMEs. Draft case studies were verified by respondents for accuracy on facts as well as for correct interpretation of nuances. With this and other career experiences, the author has accumulated competence in managing interviews (participants), gathering evidences, and managing data. Hence the author believed that he had acquired some of the investigator’s skills that are crucial for effective data collection, the process of which was elaborated in Yin (2014, pp. 71-76).

The three interviewers were specially selected for a few reasons. First, they were highly competent in the Chinese language of which was expected to be used in some interviews. All of them had prior lessons in strategic management and research methods. Two of these interviewers graduated from Nanyang Business School (NTU) with First Class Honours and the third with an Upper 2nd Class Honours degree. One of the interviewers is currently pursuing a PhD in Management.

Yin (2014) points out that interviewers should be trained through seminars and not from lectures only. The author conducted several seminar-format coaching sessions on data collection techniques and on interviewing skills in both English and Chinese. In addition, to ensure that the interviewers were sufficiently trained to conduct the interviews independently, the author supervised three case interviews whereby they participated as understudies. The author and the three interviewers went through the entire process together in crafting out the case study protocol. Finally, the interviewers could provide other perspectives of the data for theory triangulation purpose.
5.3.3 Selection of cases

The decision to employ a multiple case study method means that special attention was needed in the selection of cases. Eisenhardt (1989) and Yin (2014) point out that cases should be selected based on theoretical rather than statistical sampling and results should be generalised based on analytical generalisation for case study design. The other important consideration is that cases should have literal replication (anticipated similar results) and theoretical replication (anticipated contrasting results). The selection of the cases for pilot study is first explained before showing how the other nine main case studies were subsequently chosen.

The respondents of the pilot cases are first, an executive from LTA (Land Transport Authority); second, members of Motorcar Trade Associations and finally, an owner-manager that formed the third pilot case study. These cases allow triangulation of perspectives for greater external validity (Yin, 2014). Also, as this study aims to link the dynamics of antecedents with planning outcomes, a triangulation approach was deemed to be suitable for the pilot case studies (Pettigrew, 1997; Piening, 2011). Figure 5.3 below shows the triangulation model for the pilot study.

Training for interviewers

The author went through with the interviewers simulated interview sessions as part of the seminar-format coaching sessions. Although the three interviewers had theoretical knowledge in strategies and in the data collection process, they lacked practical skills in the collection of field data initially. Therefore, the next stage of the training involved actual experience in the field. Two cases were utilised for training purpose to acquire interviewing and data collection skills. The data collection process for these two cases was carried out in similar ways as for the nine main interviews. The author observed the entire process and gave feedback to the interviewers.

Pilot case studies

There are some important objectives to incorporate pilot case study in the data collection design. One, the primary aim is to complete the case study protocol which would be used in the main case interviews. Particularly, the historical timeline of significant events needed to be done to ensure all future respondents could relate to a common set of core incidences in the industry. Two, it is to determine more accurate definitions and abstraction of the constructs (e.g., RP; collaborative decision making) being investigated and to obtain feedback on the proposed key events critical to this longitudinal study. Three, to have a better understanding of the industry, in particular
how governmental policies were perceived by owner-managers. Four, it is for the purpose of ensuring that the questions presented in the protocol and questionnaires are comprehensible. The following organisations were selected for the pilot studies:

- Government agency, Land Transport Authority (LTA) that is responsible for policy making such as issuance of Certificate of Entitlement and taxes among others.
- Motor vehicle associations that represent for motor vehicle organisations such as car distributors, car dealers, car rental and other automobile allied segments such as repair workshops, spare parts retailers, car grooming companies, car financing and insurance companies. The two associations that were interviewed are Automobile Importer and Exporter Association (AIEA) which represents the voice of parallel importers and exporters of motor vehicles, and Singapore Vehicle Traders Association (SVTA) represents the vehicle traders (dealers) in Singapore.
- Small dealer firm with more than 20 years of industry experience.

For the interview with LTA, the purpose was to understand their key policies in curbing car ownership or rather reducing the number of cars on the road. The basic working principle adopted by LTA was to reduce demand for car by increasing car ownership cost. In particular, policies relating to increasing ownership cost such as the need to possess a mandatory certificate of entitlement (COE). The interview aimed to solicit LTA’s views on how their policy formulation was influenced in any way by the owner-managers' expectation or the market responses to their policies. This leading question led to the question of whether those critical incidences pointed out by cases ‘B’ and ‘C’ were similar to LTA’s perception. This interview provided a perspective of how COE issues could be important in shaping the highly volatile environmental landscape. The interview allowed the author another perspective of how the change in LTA policy could create uncertainties in the mind of the owner-managers.

The respondents from AIEA and SVTA were executive committee members of their respective organisations and were owner-managers themselves. Both the associations act as conduits for government’s policies to be clarified among their members. Also, the associations are representatives of the small firms in this industry. As representatives of the small business owners of this industry, these respondents obtained regular feedback from their association members on how governmental policies impacted their businesses. This interview gave a synthesised view into the challenges faced by both the respondents (associations) as well as their members. More significantly, the interview
revealed the role of the associations in mitigating the owner-managers’ risk perception of the task environment.

**Figure 5.3: Pilot study**

The selection of an owner-manager who is knowledgeable of this industry is appropriate in providing a holistic view of this industry. This preliminary study affirmed the importance of the risk perception construct. This industry veteran vetted through the initial timeline of events and gave feedback on his views of critical events that was analysed subsequently.

**Main Case Studies**

The initial plan was to have eight specially chosen main cases such that at some points in the longitudinal analysis, at least two cases would fit into each of the four cells given by Mazzarol and Reboud’s (2009) typology. As it turned out, one additional but exceptionally good case was found that could supplement the cross-case analysis together with the other eight cases. **Table 5.3** shows the planning responses of the main cases.

By and large, the accessibility to owner-managers was easy due to author’s excellent contacts in this industry. However, the hard part was in maintaining the attention of the respondents during the interview because they were perpetually interrupted in one way or another. Telephone calls and employees seeking for their input or decision were
some of the disruptions that interviewers had to bear with. This means that the train of thoughts of the respondents could be affected. Therefore, as far as possible, appointments were made such that interviews were done outside of the office hours. Also, interviewers needed to note and help respondents to recall the content of the last comment or point made whenever necessary.

### Table 5.3: Planning responses of the main cases

<table>
<thead>
<tr>
<th>Case</th>
<th>Mazzarol and Reboud’s (2009) typology</th>
<th>Primary Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>The Salesman</td>
<td>Car repair (workshop)</td>
</tr>
<tr>
<td>E</td>
<td>All the four cells at different points in time.</td>
<td>Car detailing (car grooming)</td>
</tr>
<tr>
<td>F</td>
<td>The Shopkeeper</td>
<td>Car accessories installer</td>
</tr>
<tr>
<td>G</td>
<td>The Shopkeeper</td>
<td>Car accessories trader</td>
</tr>
<tr>
<td>H</td>
<td>The Shopkeeper to The Administrator</td>
<td>Car spare parts dealer</td>
</tr>
<tr>
<td>I</td>
<td>The Salesman to The Shopkeeper</td>
<td>Car dealer and financing</td>
</tr>
<tr>
<td>J</td>
<td>The Salesman</td>
<td>Car accessories dealer</td>
</tr>
<tr>
<td>K</td>
<td>The Administrator</td>
<td>Car dealer</td>
</tr>
<tr>
<td>L</td>
<td>The Salesman to The Shopkeeper</td>
<td>Car parallel importer</td>
</tr>
</tbody>
</table>

### 5.3.4 Development of protocol

A case study protocol can contain questionnaires, procedures and rules governing data collection (Yin, 2014). It is a significant way to increase the reliability of case study research and it is essential to have one for a multiple-case study (Yin, 2014). Yin (2014) recommends the development of the protocol in four areas: overview of the case study, field procedures, case study questions and a guide for the case study report. These four areas are outlined in four sub-sections highlighting how each area was dealt with in this data collection stage.

**Overview of the case study project**

The overview part covered the purpose of this study, the research questions and issues. Respondents were informed of the study context and the unit of analysis. They understood that the interview aimed to solicit their decision making thought process with a focus on how EO and risk perception influenced their planning response. Interviewers were to pre-empt respondents of potentially sensitive questions such as their goals for the firm, firm structure and strategy. Respondents were also mentally
prepared for a recorded discussion of between 30 minutes to an hour. The interview was concluded with the completion of the RP and EO questionnaires. Interview proceeded only after all queries were clarified, confidentiality of all data was assured and that respondents agreed to proof-read the draft case study report. Respondents also understood that they can freely drop out of the interview at any time.

**Field procedures**

Studying of events in their real-life context is in essence what case study is all about. This means that the data collection environment cannot be easily controlled as compared to for example, a laboratory experiment. In a laboratory setting, the investigator could possibly control or prescribed the desired behaviour. On the contrary, in real-life setting such as in an interview session, the respondents could potentially interrupt the flow of the interview. This is because nothing can stop the owner-managers from changing the line of questions, how and what he wants to share. Owner-managers tend to guard their time carefully for business related activities. To be able to continue to gain the trust and support of the respondents, interviewers need to be adaptive while still being mindful of achieving interview objectives. Yin (2014) described the field procedures as merely guidelines for “coping behaviours”.

The field procedures carried out in this study included the steps undertaken in the case study development and the logistics issues associated with the field work. Most of the owner-managers were pre-occupied with their daily operational routine when contacted by telephone or in person. It is therefore important to understand that owner-managers would be more receptive to a meeting outside of the usual office hours. Also, author and interviewers had to turn up early for all the appointments for preparatory work such as to locate a meeting room or place conducive for discussion. It was also crucial to test out the recording device prior to the actual session because some of the premises were located in rather noisy car workshops or around busy industrial areas.

**Case study questions**

Yin (1989, p.69) pointed out that “the heart of the protocol is a set of substantive questions reflecting the actual inquiry”. The case study questions that incorporated the procedures of CIT were crafted with his advice in mind. In essence, the questions were meant for the investigator not the respondent and as reminders pertaining to what information needed to be collected and why. There should also be a list of possible sources of evidence for each question. Yin (2014, p.90) advise a strong focus on “level 2” type of questions for the case study protocol:
“Level 2: questions asked of the individual case (these are the questions in the case study protocol to be answered by the investigator during a single case, even when the single case is part of a larger, multiple-case study).”

Figure 5.4: Design unit vs data collection unit

However during an interview, the investigator is supposed to articulate the line of inquiry given as “level 2” questions in the form of “level 1” questions. The “level 1” type of questions is those targeted at respondents who are mostly owner-managers. “Level 2” questions address the unit of analysis (Yin, 2014). In this study, both levels of questions are similar since the unit of analysis is the owner-manager. However, Yin (2014) cautioned that distinction should be made between the unit of analysis and the unit of data collection. Figure 5.4 above illustrates the matrix on the design unit versus the data collection unit. The dotted quadrant in the figure shows the owner-managers and their decision-making as the unit of analysis which is also the unit of data collection.

The questions were designed based primarily on theoretical concepts that were adapted from the operational management framework by D’Ambiose and Muldowney (1988).
RP and EO constructs adopted scales given by Sitkin and Weingart (1995) and Certo et al. (2009) respectively.

**Application of the Critical Incident Technique (CIT)**

The critical incident technique (CIT) has been applied successfully to examine longitudinal data from interviewees and where managerial problems and theory development are concerned (Flanagan, 1954 and Keaveney, 1995). The CIT approach was also used in the interview process to track the strategic decision-making of the owner-manager over the time period spanning from 2002 to 2013, a period encompassing significant changes to the industry and including the Global Financial Crisis (GFC). By mean of secondary research, a motor vehicle industry timeline were drawn up for owner-managers’ comments based on a preliminary set of pre-determined case study questions. These questions were structured based on the research questions developed in this study.

Participants were asked on their risk perceived for each of the events based on the industry timeline and why they perceived as said. They were to describe what actions were taken for each incident based on their perceived risk. Before discussing on each incident, respondents responded to several general questions relating to firm’s history, product, and structure. Respondents’ personal characteristics that were noted include their growth aspiration, future plan and management style.

The RP and EO questionnaires were administered in person within a few weeks after the first interview. The COE incidents that were highlighted as key events were incorporated in the questionnaires. They were rated based on a 7-point scale on questions relating to risk-taking, pro-activeness and innovativeness.

**How EO was assessed in each case study?**

This sub-section outlines how the observed EO was “measured” using the questionnaire that was administered after each interview. The observed EO of the firm is an aggregate assessment of qualitative evidence as well as the ‘aggregate’ score of the EO questionnaire. The EO of the owner-manager is a reasonable proxy for the EO of the firm because the entire impetus of any entrepreneurial activity comes from the owner-manager himself/herself. The three sub-dimensions of EO as discussed are the innovativeness, proactiveness and risk-taking behaviour of the owner-manager.

**A guide for the case study report**
Yin (1989, p.127) suggests developing the case study structure early because “the reporting phase is one of the most difficult to carry out in doing case studies”. Also, the draft report should be refined continually rather than procrastinating until the end of the data analysis process.

The case study report structure followed a theory-building logic that were guided by Mazzarol and Reboud’s (2009) typology which was the key theoretical framework examined in this study. As the case unfolds, the author examined the evidence and causal argument to support the theory.

5.3.5 Ethics

The University’s Ethics Committee approved the case study project before its commencement. It also complies with the National Health & Medical Research Council’s National Statement on Ethical Conduct in Research Involving Humans (1999).

A possible ethical issue in this project was confidentiality of the information provided by the respondents. Examples of sensitive information include those relating to firm’s strategies and weaknesses. Each respondent received a written undertaking before the interview and signed a consent form. The undertaking given by the author was that:

“...the identity, the participation in the study and the information provided by each participant will remain strictly confidential to the participant and the researcher only, unless prior written authorisation to the contrary is provided by the participant or the researcher is legally required to disclose.”

By consenting, the respondent acknowledged that he/she had:

“...read the information provided and any questions I have asked have been answered to my satisfaction; agreed to participate in this activity, realising that he may withdraw at any time without reason and without prejudice; understood that all information provided by him would be treated as strictly confidential and would not be released by the investigator unless required to by law or authorised in writing by him; been advised as to what data would be collected, what the purpose of collection was, and what would be done with the data upon completion of the research; agreed that research data gathered for the study may be published, provided his name or other identifying information was not used without his prior written permission.” (Excerpt from Form of Consent)
Should respondents wish to revert to the University for any recourse for how their information was being treated, they could do so via the University’s Ethics Committee as outlined in this excerpt from the consent form:

“The Human Research Ethics Committee at the University of Western Australia requires that all participants are informed that, if they have any complaint regarding the manner, in which a research project is conducted, it may be given to the Chief Investigator, or alternatively, to the Secretary, Human Research Ethics Committee, Registrar’s Office, University of Western Australia.”

None of the interviewees expressed any concern at any time to the best knowledge of the author.

5.4 Interviews

There is no single prescribed way to conduct an interview based on Patton (1980, p.252) that quote:

“There is no single right way of interviewing, no single correct format that is appropriate for all situations, and no single way of wording questions that will always work. The particular situation, the needs of the interviewee, and the personal style of the interviewer all come together to create a unique situation for each interview.”

Even though there is “no fixed” format according to Patton (1980), some recommendations from Simons (2009) and Yin (2014) are helpful especially in addressing the weaknesses of using interview as a source of evidence. The following are the four weaknesses according to Yin (2014, p.106):

- Bias due to poorly articulated questions
- Response bias
- Inaccuracies due to poor recall
- Reflexivity – interviewee gives what interviewer wants to hear

The issue of ambiguous or unclear questions was addressed by having two training and three pilot case studies. The feedback during these five interviews was important to ensure that questions in the protocol could be clearly understood in both English and Chinese. Even though English was used most of the time, Chinese words were needed in two interviews to clarify on conceptual terms.
Two limitations were found in the communication using Chinese. First, it is possible that not all conceptual words in the translated Chinese version were fully understood by the respondents. This was due in part to the difficulty in getting an accurate translation of the business terminology. Second, the respondents had limited command of Chinese which in a way compounded the first difficulty. Many owner-managers could not communicate entirely in English and they probably need not do so in their daily business. After all, the communication within the firm and with clients was usually a combination of rudimentary English, local dialects or Chinese (Mandarin) – something that was expected in many other small firms within Singapore even more so in this sector. As expected, two interviews were conducted with a mixture of English, Chinese and local slang.

The response bias should not pose a major issue in this study. This is because the protocol questions were aimed to solicit answers that are factual rather than opinion related. There was little room for any subjective views in answering the interview questions. This could infer the potential issue of poor recollection of past events or facts. The CIT approach which focuses on significant events should alleviate this issue somewhat. This is because the pilot case study was investigating critical events and not trivial ones which respondents would not pay attention to. In all the interviews, all respondents could recall similar significant events clearly. Furthermore, respondents viewed the events with different perspectives (Eisenhardt and Graebner, 2007) which helped to limit response bias and improve construct validity. Also, the process of triangulating the data and the interviewers' perspectives could help to detect the presence of response bias.

As for the weakness in reflexivity, this could happen when respondents want to put to an end to an uninteresting or inefficient interview. Signs of rushing through the interview could be due to fatigue or busy work schedule. This issue was addressed in a few ways. First, appointments were made in advance rather than surprised respondents with an impromptu interview request such as during a cold call. Although cold calling were practised in this study, it was mainly a form of 'pre-interview screening' activity to assess the appropriateness of the firm to be confirmed as one of the main case studies. Second, the reflexivity weakness was also addressed to a certain extent through building rapport and managing the relationship with the respondents.

Building rapport is important to obtain in-depth data (Simons, 2009). More than just the quality of data, a strong rapport helps in gaining the support of the respondents. This
could result in them being more candid in their response or be more tolerant in going through the rigorous interview. It helped also when interviewers had to constantly remind themselves that the owner-managers are busy people who are sensitive to an unproductive extended interview. Therefore, interviewers needed to articulate questions in a comprehensive manner to show that they were meticulously prepared. Equally important was to exercise good listening skills. Good listening skill allows a large amount of information to be obtained without bias (Yin, 2014).

Table 5.4: Interview details

<table>
<thead>
<tr>
<th>Case</th>
<th>Interview order</th>
<th>Number of transcribed words</th>
<th>Case Type</th>
<th>Number of visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>1</td>
<td>2433</td>
<td>Training case</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>2</td>
<td>2373</td>
<td>Training case</td>
<td>1</td>
</tr>
<tr>
<td>A</td>
<td>3</td>
<td>8308</td>
<td>Pilot study</td>
<td>1</td>
</tr>
<tr>
<td>B</td>
<td>4</td>
<td>2218</td>
<td>Pilot study</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>5</td>
<td>6218</td>
<td>Pilot study</td>
<td>1</td>
</tr>
<tr>
<td>D</td>
<td>6</td>
<td>3126</td>
<td>Main case study</td>
<td>2</td>
</tr>
<tr>
<td>E</td>
<td>7</td>
<td>7750</td>
<td>Main case study</td>
<td>3</td>
</tr>
<tr>
<td>F</td>
<td>8</td>
<td>2825</td>
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<td>G</td>
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<tr>
<td>I</td>
<td>11</td>
<td>7663</td>
<td>Main case study</td>
<td>2</td>
</tr>
<tr>
<td>J</td>
<td>12</td>
<td>2734</td>
<td>Main case study</td>
<td>2</td>
</tr>
<tr>
<td>K</td>
<td>13</td>
<td>3857</td>
<td>Main case study</td>
<td>2</td>
</tr>
<tr>
<td>L</td>
<td>14</td>
<td>4990</td>
<td>Main case study</td>
<td>2</td>
</tr>
</tbody>
</table>

Simons (2009, p.47) describes good active listening as to avoid dominating the interview by “cutting off interviewees before they get to the heart of their story.” Active listening allows the interviewers to hear the meaning of what is being said…. “[the] interpretation, and understandings that give shape to the worlds of the interviewees” (Rubin and Rubin, 1995, p.7). These important insights derived from
good listening should still be corroborated with other sources of information (Yin, 2014). The above Table 5.4 provides the details of all interviews including those for training and pilot study.

On the other hand, poor listeners miss information between the lines or have a closed mind or poor memory (Yin, 2014). Reflexivity (interviewee gives what interviewer wants to hear) could be a result of poor listening skills. The author conducted listening skill training for the interviewers to increase their competence here. From Table 5.5, the amount of time put into training the interviewing skills of which listening skill training is a part, is about 35% of the total time spent in all interviews. It was evident that the interviewers were equipped to conduct the interviews independently and effectively.

Even though the average time spent per visit is 51 minutes, the second or third visit was mainly for completing the EO and RP questionnaires which could be done within 10 to 15 minutes. Excluding the time spent for the questionnaires, the average time for the interactive dialogue part of the interview was about 65 to 70 minutes. A total of four data collectors (the author and the three interviewers) involved in the entire data collection process. There were at least two of the four data collectors in each visit to the respondent. Every data collector carried a copy of the protocol and notebook to record observations. All interviews were audio recorded using a Sony recording device at the respondents’ premises and then carefully transcribed.

### Table 5.5: Average durations of interview

<table>
<thead>
<tr>
<th>Case Type</th>
<th>Main cases</th>
<th>Training cases</th>
<th>Pilot cases</th>
<th>All cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average per case (minutes)</strong></td>
<td>80</td>
<td>43</td>
<td>101</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total (minutes)</strong></td>
<td>724</td>
<td>87</td>
<td>302</td>
<td>1114</td>
</tr>
</tbody>
</table>

The interview with the LTA manager (case 'A') was particularly insightful and was indeed the correct choice to have this as the first pilot study case. The respondent was an alumnus of the University where the author is teaching in. So, he was particularly helpful in providing not just information but also the contacts for case 'B'. Being the manager responsible for work relating to COE policy, he could furnish first-hand details on COE matters. The COE events were eventually and unanimously pointed out by all
the respondents to be the critical events in this study. As such, this particular interviewee turned out to be the ideal one to discuss on the COE topic.

The author and interviewers were given information on how the COE system works. The aim of the COE system is to control car population growth without any intent to contribute to any business risk. The business risk perceived by the owner-managers was a result of intense competition among the industry players to bid for the COE rather than the changes in the policies themselves. This is because LTA routinely consult the motor vehicle associations and the industry when formulating policy. LTA provided updates on their plans on COE matters in their website. This meant that anyone and any firm can have access to the same COE data from the government agency to plan forward.

5.5 Summary

In order to validate the findings and conclusions, the data collection followed various triangulation strategies to draw on the particular strengths of various data sources (Addicott and Ferlie, 2006; Yin, 2014). The data sources were taken from observation, questionnaires, open-ended and focus group interviews. The data collection occurred in phases. First, to become familiar with the research method and the required data that would lead to answering the research questions. Next, the preparations stage which started with an overall data collection strategy. This entails secondary research of the motor vehicle industry which then led to the preparation of case study protocol. Approval from the University’s ethics committee were sought before this first interview was conducted.

A critical incident technique (CIT) was also used in the interview process to track the strategic decision-making of the owner-manager over the time period spanning from 2002 to 2013, a period encompassing significant changes to the industry and including the Global Financial Crisis (GFC). The CIT methodology has been used successfully to examine longitudinal data from interviewees and where managerial problems and theory development are concerned (Flanagan, 1954 and Keaveney, 1995).

Prior to the pilot study, two training case studies were conducted to improve the interviewers’ interviewing skills. Both the interviews were done by the interviews with the author as an observer. Then, three pilot studies were carried out to provide the author with insights into the industry. In particular focus was on issues that could cause
environmental uncertainties and risk. Subsequently, nine other main cases were completed with RP and EO questionnaires administered for each owner-manager. The author conducted six out of the twelve interviews. The rest of the interviews were done by the other three data collectors. All the interviews were transcribed and case studies report written up. The data were then ready for analysis using the NVivo v.10 data management software.
Chapter 6: Data Analysis

6.1 Introduction

This chapter describes the background to the data analysis and the processes taken to analyse the data. The findings are given in the chapter following this. The reason for a dedicated chapter on findings is to aid readability. As such, this chapter can then focus on the designing and conducting of the case study evaluations so as to address the validity and generalisation issues commonly raised when using case study method.

The chapter discusses a few salient topics relating to data analysis. These topics are first, the analytical processes as guided by Yin (2011) and Miles and Huberman (1994); second, the various analytical strategies and techniques that were employed; and third, the chain of evidences technique recommended by Yin (2014) to enhance reliability. The rationale and details of the 3-phase coding process is then discussed together with the practical implementation using the NVivo v.10 data management software.

Cruciform charts were used to help in the analysis of the data. The within-case and cross-case logic guided by Miles and Huberman (1994) were applied to study the dynamics of the owner-managers’ strategic decision-making process. The overall analysis utilised data from the pilot study as well as the nine main case studies. RP and EO questionnaires were administered to substantiate both the reported perceived risk and the observed entrepreneurial orientation of the owner-managers.

Credible rival theories were carefully investigated. More confidence can be given to the findings of this study when a rigorous search for data to “support” plausible rival explanations finds no such support (Yin, 2013). That is, this practice strengthens the interpretations of the case study since true rivals cannot coexist (Yin, 2013). Therefore, with an open and discrepant mind, while focused on discovering explanatory data to support the given research propositions that were adopted from Mazzarol and Reboud (2009), the author proactively seek for rival explanations with unequivocal rigour.

6.2 Background to the data analysis

The underlying reason for employing the case study method in this study lies in its strength of obtaining rich qualitative data from in-depth inquiry into a case within its
contemporaneous context. Bogdan and Biklen (1982, p.145) define qualitative analysis as “working with data, organising it, breaking it into manageable units, synthesising it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others”. This suggests that getting to know the actual meaning of the data is important. For this study, rather than documents, photograph or video, the qualitative data that were analysed were mostly in the form of words noted from observations or transcribed from audio recorded in-depth interviews. In addition, minimal numerical analysis was done from the questionnaires data (moderated RP and EO scales) which served to substantiate the RP and EO of the small firm. The substantiated entrepreneurial orientation level was assessed in categories of “low”, “medium” and “high” instead of quantitative numbers. This practice was in accordance to the overall analytical generalisation approach. An overview of all the data sources is provided in Table 6.1 below.

### Table 6.1 Sources of all qualitative data sources

<table>
<thead>
<tr>
<th>Nature of Data</th>
<th>Pilot Cases (x3)</th>
<th>Main Cases (x9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-to-1 Interview</td>
<td>Case: A and C</td>
<td>Case: D,E,F,G,H,I,J,K,L</td>
</tr>
<tr>
<td>Focus Group Interview</td>
<td>Case B</td>
<td>Nil</td>
</tr>
<tr>
<td>Direct Observations (non-intervention)</td>
<td>Nil</td>
<td>Case: D and E</td>
</tr>
</tbody>
</table>

As previously noted in the data collection chapter, data source and theory triangulations improve the validity of the case study evaluation (Yin, 2014). In this connection, the analysis of the data was firstly carried out by corroborating the views of various respondents on the events that were considered critical ones. For that, the uncertainties surrounding the issues relating to the prices of COE were highlighted during the pilot study stage. Then, the data were abstracted and analysed using the within-case and cross-case techniques that were employed for all the main case studies. The process of re-examining the data, analyse (e.g., coding) and re-collecting data followed a rigorous analytical process (as described in sub-section 6.2.2) using pattern matching and
explanation building analytic techniques. The overarching analytic strategy (Yin, 2014) was guided by theoretical perspectives that involved the examination of rival explanations such as market orientation and strategy-as-practice.

An in-depth analysis of a case study requires an inquiry into not just the case itself but its interaction within its real-world context (Yin, 2013). Thus critical events were those that had some forms of interactions with the owner-managers. An outcome in the analysis of the three pilot cases was to finalise one or more critical events whereby the management and the task environment had interactions of sorts. Data from various sources were triangulated in substantiating specific key events. All the respondents could recollect these critical events clearly but only as far as for the last five years.

The original timeline covered more than a decade in the initial drafts of the case study protocol. After each interview, it became more and more apparent that COE price was the primary parameter that owner-managers monitored closely. Further analysis showed that events relating to COE prices had the greatest ramifications to their planning response for all the owner-managers. Thus, the changes in COE prices were first analysed to gauge the pervasiveness of fluctuation of the prices to these small firms under study. As illustrated in Table 6.2 below, it was easy to observe the escalating trend of the COE prices over the years from 2008 to February 2013. There were a maximum of 24 data points for a year since the bidding for COE was done twice a month.

The most significant event that was unanimously singled out took place in July 2012 when the COE price reached a high of S$92,100 even though the highest COE price was a hefty S$110,500. The latter occurred in November 1994 which the respondents could not recall any more of the specific settings clearly. In contrast, the lowest S$2 COE price was recorded in November 2008. This minuscule amount was generally considered to be a “freak” bidding result. So, the respondents treated it as an ‘outlier’ and did not highlight it as a critical event. Table 6.2 and Table 6.3 (below) provide clear evidences of the huge volatility of the increasing trend of the COE prices that were likely to affect the risk perceived by the owner-managers. Still, there were pocket periods of price stability within 2008 when the COE price was hovering around S$15,000. The comparatively stable COE prices during 2008 could provide the setting for owner-managers to assess their perceived risk at that time. Therefore, the author contend that it was appropriate to limit the analysis of the response data to these five
years where there was a rather wide range of environmental uncertainties that could be used as the context for this study.

The overall analysis took into considerations the data accumulated from the nine main cases, three pilot cases and the field notes taken progressively over different field trips. These data together with RP and EO questionnaires were input into the NVivo v.10 data management software. The field notes contained impressions, hypothesis, potential rival explanations and early stage interpretations. The two training cases were not suitable for analysis due to insufficient data that could be collected. However, the respondents were knowledgeable of the motor vehicle trade and the industry at large. Thus both these interview sessions were beneficial for training purposes only to develop interviewing skills of the data collectors and to fine tune the case study protocol as a preparation for the main case study phase.

6.2.1 Data analysis processes

The analytical processes employed were informed by a combination of the writings of Yin (2011, 2014) and Miles and Huberman (1994). Potentially confusing, notable scholars such as Yin (2011, pp.176–179), Simons (2009, p.120) and Miles and Huberman (1994, pp.10–12) use different terms to describe somewhat similar analytical processes. For example, the key terms such as data reduction ("disassembling"), data display ("reassembling") and data conclusion ("data interpreting and verifying") were used by Miles and Huberman (1994) and Yin (2011) respectively. Most of the writings for the "reassembling" and "data interpreting and verifying" were reflected in chapters 7 and 8.

The data reduction phase pertained to synthesising data by coding and categorising codes. The data display phase focused on the question of meaning. Here, the data were described and explained both deductively and inductively (Miles and Huberman, 1994, p.65). The tactics suggested by Miles and Huberman (1994, pp.245–262) were employed to generate meaning, for examples, “making contrasts and comparisons, noting patterns and themes, making metaphors, building a logical chain of evidence, making conceptual or theoretical coherence”.

To verify conclusions, tactics adopted include “triangulation, checking for outliers (e.g., case F), looking for negative evidence, testing rival explanations, and getting feedback from informants” (Miles and Huberman, 1994, pp.262–277).
Table 6.2 Fluctuation of COE prices

Table 6.3 Key COE price statistics (2008 to Feb 2013)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Amount (S$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>92,100</td>
</tr>
<tr>
<td>Minimum</td>
<td>2</td>
</tr>
<tr>
<td>Median</td>
<td>31,807</td>
</tr>
<tr>
<td>Average</td>
<td>35,025</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>22,987</td>
</tr>
</tbody>
</table>

The analytical processes in this study were not done by simply following these pre-determined phases in one sequence. As pointed out by Miles and Huberman (1994, p.12) that these processes are “interwoven and proceed in parallel throughout the research process….and the activity of data collection itself form an interactive cyclical process” and the process continues to the completion of the thesis. Hence, the author persisted through these processes during which included new literature reviews on plausible rival explanations. These reviews included *market orientation* and *strategy-as-practice* as outlined in chapters 2 and 3 respectively. Yet other reviews such as the
causation and effectuation theories (Fisher, 2012) were a result of a better understanding of the data.

In Yin’s (2011) approach to analysing qualitative data, the process had a five-phased cycle that was adopted in this study:

- **i) Compiling**
- **ii) Disassembling – data reduction**
- **iii) Reassembling (and arraying) – data display**
- **iv) Interpreting, and**
- **v) Verifying (data conclusion)**

Each phase interacted recursively and iteratively throughout the analysis as shown in Figure 6.1 below. The two-way arrows suggest how the various phases may be repeated in alternating manner. **Compiling** entailed sorting out field notes, notes from archival sources and putting together transcribed data. The completed compilation is considered a database.

**Disassembling** (data reduction) is “the process of selecting, focusing and abstracting key data from interviews, observations and field notes” (Simons, 2009, p.120). For this procedure, codes were assigned to fragments of the transcribed data and field notes which were guided by research propositions and framework (conceptual abstraction) while keeping an open mind to plausible rival explanations. In a way, the latter exercise is akin to playing the devil’s advocate when coding and analysing the data.

The “reduced” data were displayed in visual form into different groupings and sequences, described as the **reassembling** phase (data display). The data displays were illustrated in the following chapter in the form of matrices and charts. In looking out for patterns in the data, the author adhered to Yin’s (2011) suggestion of “playing with the data” by designing matrices as arrays. The data transferred from the database into each cell of the matrix were too large and therefore abbreviated data (phrases) were used instead. But, none of the content of these cells contained the author’s opinion or conclusion. Miles and Huberman (1994) pointed out that better displays enhance the validity of the qualitative analysis by being able to “see” the data to draw justified conclusion or to assess if further analysis is needed. In addition, Punch (2001) pointed out that repeated and iterative data displays are needed for good qualitative analysis.
The fourth phase involves creating a new narrative with accompanying tables to synthesise the reassembled data. Wolcott (1994, pp.10, 36) describes the interpretation as “what can be explained with the degree of certainty usually associated with analysis”, to reach an understanding that “transcends factual data and cautious analyses and begins to probe into what is to be made of them”.

The fifth phase, “conclude” is the “process through which emerging patterns, propositions and explanations are gradually confirmed and verified” (Simons, 2009, p.120). Verification may be “as brief as a fleeting second thought crossing the analyst’s mind during writing, with a short excursion back to the field notes, or it may be thorough and elaborate, …to replicate a finding in another data set” (Miles and Huberman, 1994, p.11). According to both authors, “the meaning emerging from the data have to be tested for their plausibility, their sturdiness, and their confirmability” for validity purpose.

The overall data analysis approach depicted in Figure 6.1 was implemented as shown in Figure 6.2 below. Data collection and analysis were completed broadly described in three stages albeit iteratively, namely the pilot study (stage 1), main case study with detailed evidences (stage 2: cases D, E, and F) and the remaining main cases (stage 3:
cases G through to L) provided more support to explanations. The case study protocol was finalised after conducting the three pilot case studies.

**Figure 6.2 Data analysis approach**

However, the analysis of the three pilot study cases was to achieve:

i) **To look for rival explanations** – for examples: Were knee-jerk responses a part of the planning responses (from the owner-managers) in response to risk perceived? Could strategy-as-practice perspective provide a stronger explanation as compared to the classic strategic management approach? Could market orientation be included in the research framework to explain for the pattern of events or managerial behaviour?

ii) **To identify the most significant event/s to be used in the main cases** from broad-ranging key events that were identified earlier through secondary research.

iii) **To ensure that questions in protocol and questionnaires** are comprehensible in both English and Chinese.
iv) To understand the industry and owner-managers better from the context of environment uncertainties and the perspective of risk-taking behaviour.

v) To uncover any assumptions made in formulating the research questions and framework.

The main case study in stage 2 (see Figure 6.2 above) aimed to collect detailed evidences that provided the initial explanations of how the Mazzarol and Reboud’s (2009) typology could be applied in conjunction with the data. The remaining main cases at stage 3 substantiated the essential explanatory logic. All the data from the main cases (stages 2 and 3) were examined for rival explanations before being concluded at a point of theoretical saturation and an acceptable level of pattern match.

6.2.2 Underlying general analytic strategies and logics

Guided by Yin (2014, pp.130-144), the general strategies for this study were led by both the theoretical propositions and the examination of the rival explanations and in doing so, cross-examined the propositions. The analytic logics employed were explanation building and pattern matching to answer all the research questions. The general analytical strategies and the analytic logics were depicted in Figure 6.3 below.

Pattern matching logic was employed to test and evaluate the usefulness of the Mazzarol and Reboud’s (2009) typology through answering research questions, RQ1 through to RQ4. Rival explanations were deliberated, argued and rejected or accepted during the analytical processes. As for the pattern matching analytic logic, it requires a pattern or patterns to be identified first before any “matching” exercise could begin. According to Yin (2014, p.143), pattern matching occurs as follows:

“If for each outcome, the initially predicted values have been found (literal replication), and at the same time alternative patterns of values (including those deriving from methodological artifacts, or “threats” to validity) have not been found (theoretical replication), strong causal inferences can be made”.

Two patterns that were used in this study were “non-equivalent dependent variables” and “rival explanation”. The four planning responses outlined in Mazzarol and Reboud (2009) were essentially the four non-equivalent dependent variables or outcomes described as a pattern (Yin, 2014). Market orientation and strategy-as-practice were posited as rivals and were treated as patterns also.
Reflective of this study’s primary intent to generate a theory relating RP, EO and the effect of management on planning response, the explanation building logic was chosen as suggested by Yin (2003). The analysis followed an *a priori* research propositions aimed at testing the Mazzarol and Reboud (2009) typology. For the purpose of answering the research questions, RQ5 and RQ6, it was necessary to go through a theoretical sampling process wherein conceptual data abstraction were carried out with the objective of achieving theoretical saturation. Eisenhardt (1989) asserted that a good theory is grounded in convincing evidence and should meet the test of good theory which is parsimonious, testable and logically coherent (Pfeffer, 1982). As such, the author pursued this goal with a meticulous 3-level coding (data abstraction) process as outlined below.

**Figure 6.3 General analytic strategies and logics (Yin, 2014)**

<table>
<thead>
<tr>
<th></th>
<th>General Analytic Strategies:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relying on theoretical propositions</td>
</tr>
<tr>
<td>2</td>
<td>Examining rival explanations</td>
</tr>
</tbody>
</table>

**2. Analytic Logics:**

*Pattern matching:*  
1. Nonequivalent dependent variables  
2. Rival explanations  

*Explanation building:*  
1. Show that this study’s propositions are supported  
2. Show that rival explanations are not supported

**3. Within-case and cross-case analyses**

The within-case and cross-case analyses employed deductive reasoning approach based on a constant comparison process. Nevertheless, the huge amount of qualitative information made the comparison challenging initially. However, Miles and Huberman (1994, p.91) suggested the following for a more effective abstraction work:

> “Valid analysis requires, and is driven by, displays that are focused enough to permit a viewing of a full data set (distilled data rather than the entire chunk) in the same location, and are arranged systematically to answer the research questions at hand”.

150
As suggested, the labels and formats of the matrices were driven by both the research questions outlined in Section 4.3 and the research conceptual framework of Figure 4.1 of chapter 4. Using the ‘query’ function in NVivo v.10 data management software, the key conceptual terms were queried to help in deciding if these terms could be used as labels for the columns and rows of the matrices display. The author needed to trawl through the raw data before finalising the labels. Examining the data included having to study the nuances and local slangs for the correct meaning communicated by the respondents. The concept of data abstraction process means that higher order concepts are developed based on preceding (lower) conceptual level. This implies that it is crucial that each level of abstraction is done with rigour and care, in particular right from the first abstraction exercise. Therefore, the time-consuming task of trawling through the raw data was necessary to ensure that subsequent abstractions produced meaningful and precise output.

Good explanations as pointed out by Miles and Huberman (1994) need a logical link between the explanations of the respondents as well as the author’s. However, Gilovich (1991, cited in Miles and Huberman (1994, p.144)) remarked that “people misperceive and misinterpret data, make too much of ambiguous data, and often end up with biased interpretations (seeing what we want to see)”. To address this, field reports were written up and assured of its integrity of raw data and interpretations by ensuring that the respondents vetted through the writings before further analysis.

6.2.3 Analytical chain of evidence

Analytical chain of evidence is a process that traces the logical pathway of examining the evidences from raw data to a conclusion whereby the research questions are answered. The tight linkages between the steps of the chain are needed such that the process is traceable in either direction by any interested party and this practice increases the reliability of the study. Even counter-evidence has to be accounted for in this process (Miles and Huberman, 1994).

Both the authors suggested a series of “if-then” tactics to string together all verified steps logically. Miles and Huberman, 1994, p.260) pointed out that the verification would entail working on questions such as, “Does this really happen, and what would we logically predict as a consequence – and does that consequence appear in the data?” Therefore, it is important to capture the true meaning enunciating from the data of each case (“voice of the data”) and test the logical relationships against new cases. If
the latter inductive analytic procedure uses a number of instances that went the same
direction, it is termed as the “enumerative induction” logic. “Eliminative induction”
could be performed alongside the “enumerative induction” logic to achieve a more
powerful explanatory model (Miles and Huberman, 1994). For this procedure,
hypothesis or proposition would be tested against alternatives and rivals were tested in
the advent of new evidence. Both enumerative and eliminative logics were used in
examining the data from the multiple cases.

**Figure 6.4** shows the chain of evidence established in this study. The five phases of
this analysis were implemented as described in sub-section 6.2.1 of this chapter. There
appeared not to have a consistent terminology used by researchers in describing the
different levels of coding. Commonly seen in grounded theory method, the terms used
for the three levels in place of those shown in **Figure 6.4** are “open code”,
“axial/category” and “selective” codes. This dissertation adhered to Yin’s (2011) use of
the terms on coding whereby the corresponding codes (versus grounded theory’s terms)
for level 1 and 2 are “initial code” and “category” codes respectively. Somehow, Yin
(2011) did not name ‘level 3 code’ but Miles and Huberman (1994) named it as “pattern
code”. Yin (2011) simply mentioned as level 3 and level 4 coding when referring to
coding after level 2. Nevertheless, what is in common among these eminent scholars
with regards to coding is the notion that for every next level (stage) of coding,
conceptual abstraction should take place. Hence, the author had taken the liberty to
name level 3 coding as “post-category” analysis.

“Post-category” analysis is different from selective coding in that the latter deals with
the process of selecting a core category among some categories. “Post-category” is
simply a higher data conceptual level to conclude the entire analysis. The term,
“selective coding” was not adopted to avoid confusion since this study was first driven
by clear statements of research questions and propositions, whereas theory (without
firmed research questions and propositions initially) “emerges” from the raw data in the
case of the grounded theory approach – a major difference in methodology, in the
interpretive phase (phase 4 of **Figure 6.4**) in particular. All data, including the
completed RP and EO questionnaires and field notes were processed by NVivo v.10
data management software.

In the analytical chain of evidence, all the phases did not fall into a linear sequence.
Instead, recursive and iterative steps were taken throughout an extensive period of time
until a logically convincing conclusion was found. The disassembling and reassembling
phases were conscientious carried out until broader theme emerged before moving on to the interpreting phase. At the interpreting phase, these broader themes were put to challenge with rival explanations. The anticipated conclusion brought together the entire study in unison. Thus, this chain of evidence was completed resulting in increased creditability or trustworthiness.

Figure 6.4 Analytical chain of evidence (Yin, 2009 and 2011)

6.3 Data analysis

"Coding is analysis....it is not the words themselves but their meaning that matters" (Miles and Huberman, 1994, p. 56). However, Bliss et al. (1983) suggest that the words chosen (codes) are meaningful only in a given context and seen through the researcher's particular logic or conceptual lens. It made sense then to first draw up the context of this study before outlining the data analysis per se. Bliss’ et al. (1983) remark were indeed insightful as it resulted in other lenses (perspectives) being considered in the
coding. For examples, author ‘played the devil’s advocate” in analysing for plausible rivals and in looking from the owner-managers’ lens for any task environment issues. In addition, it was observed that the environment was chaotic but controlled and that strategy emerges rather than “engineered” from an early stage. Mintzberg and Waters (1984, cited in Mazzarol and Reboud, 2009, p.155) added that the entrepreneurial behaviour could be led by a single owner-manager – a strategy termed as “entrepreneurial strategy”.

First, the data for this study were both in words as well as minimally in numerical forms (from questionnaires). All interviews that were transcribed from audio format and observations were noted directly in English by mean of field notes. However, the completed EO questionnaires that provided the supporting evidence for entrepreneurial behaviour were in “quantitative” form. Second, the context was small motor vehicle firms in Singapore but the unit of analysis was the owner-manager and its decision making. The duration of the longitudinal study was from 2002 to June 2013 in the beginning of the study. However, as the data collection exercises progressed to the fifth or sixth interview, it began to show quite obviously that respondents were able to recall only the last five years of events clearly. Third, the conceptual lens that guided the analysis adhered to the supporting theoretical frameworks and research questions (and propositions), which “bounded” the data collection process and the data analysis. The concepts that were coded were primarily guided by D'Ambiose and Muldowney's (1988) management framework for the small firms, the foundational theory that undergirded this study. Among others, some key concepts (coded as nodes) are RP, EO, market orientation (plausible rival), environmental uncertainties, external networks and planning.

The primary objectives of the research strategy were a hybrid of developing an explanatory theory and also testing a theory. Research questions, RQ5 and RQ6 require an explanatory deductive logic to look into the roles played by RP and EO on planning response. Using an inductive reasoning approach, Mazzarol and Reboud's (2009) typology was tested through answering research questions, RQ1 through to RQ4. As recommended by Miles and Huberman (1994, p.50), an early analysis had helped the author to cycle back and forth between thinking about the existing data and generating strategies for collecting new data. In other words, data collection and analysis were interwoven right from the beginning. Also, there is no firm boundary between data management and data analysis as both are integrally related (Wolfe, 1992; Levine,
Therefore, data analysis was not a one-off activity at the end of the data collection stage. It required cycling through the three interactive activities (data collection, data management and data analysis) and stopped only when issues of validity and generalisation in the case study results were convincingly addressed.

To achieve the above objectives, a substantial part of the analysis comprised of two inter-related parts as illustrated in Figure 6.4 as phase 3 and phase 4. However, the overall analysis was informed by Miles and Huberman (1994) and Yin (2009) by using a systemic approach based on interlinked processes of data reduction, data display and data conclusion (and verification).

6.3.1 Initial coding (disassembling) and category coding (reassembling)

The initial code brought the raw data (transcribed data) into the next higher conceptual level (Yin, 2011). Items from the raw data contained explanations, events, field notes or opinions from the respondents. Those items that were essentially similar were grouped as one code. 'Essentially similar' means that items had similar themes or relevance. A code could also be a theme or concept whereby the preponderance of the data suggested it. The details of this disassembling phase were crucial and were specifically outlined in Figure 6.5 below. However, based on the same grouping principle, the next higher conceptual level was the category code, also referred to as pattern code by Miles and Huberman (1994) who recommended the use of it for multiple case studies.

As discussed sub-section 6.2.2, the initial coding was crucial to the entire abstraction process being the first of a few phases of coding. Being the raw data, they were closest to the “true voice” of the respondents and must therefore be carefully comprehended. As illustrated below, Figure 6.5 shows the detailed steps taken to do this so that a coded form would be in place ready for category coding.

Step (i): For each completed transcribed interview data, the data transcripts were read through carefully to note words or ideas (hereinafter referred to as incidents) relating to the research propositions or were emphasised by the respondents. At times, the interview audio recording was played back to track any nuances arising out of local idiosyncrasy. For example, one respondent used the word, “bochup” which literally meant “care-less” attitude in the Hokkien (Chinese) dialect. It reflected not just an attitude but a despondent mentality of motor vehicle buyers who were either simply indifferent or overly perplexed by the complex set of ever-changing governmental
policies concerning the COE and the processes in buying a motor vehicle. The word “bochup” was then re-phrased in the field notes and the contextual meaning explained before being coded in the NVivo v.10 data management software.

Step (ii): With these initial set of words (incidents), a code manual was drawn up to define these incidents. The objective of the manual was to help the author to be able to consistently code transcripts by relying on previous definitions clearly stated in the manual. This was done for fear of memory lapses as the interview transcripts and coding were done over an extended period of time.

Step (iii): The initial coding (Figure 6.4 and Figure 6.5) was implemented using the concept-indicator model as shown in Figure 6.6 below.
“Incidents are indicators (abbreviated as “I” in the concept-indicator model) of a concept. The concept-indicator model works on constant comparison of indicators. In this model, the comparison of indicator generates a conceptual code first, and then indicators are compared to the newly emerged concept, further defining it” (Glaser, 1987, p.62). The constant comparison of indicators required constant evaluating of indicators whereby the consistency in the meaning resulted in a new concept (or category) which was then coded and put forth as a node in NVivo v.10 data management software. For example, the “Macro environmental effect” category was created upon the common theme surrounding the three nodes, namely “LTA influence”, “Significance of COE” and “Other volatile factors”. The latter three nodes now has “Macro environmental effect” node as their parent node.

Step (v): With every new concept that was coded, the coding manual was updated promptly.

Step (vi): This process continued with the remaining cases and stopped when all the meaningful concepts were completely coded. Based on the same grouping principle, the process continued with category coding which entailed having to subsume initial codes as child nodes and thus creating a parent-child node relationship. In practice, the initial coding and the category coding were carried out simultaneously at times when it made sense to do so. While the initial coding looked into the raw data, the category coding looked at “aggregating” the coded data completed in the open coding process.
In step (vii) of Figure 6.5 above, the main objective was in generating the category codes. These codes were recorded in the coding manual for the same purpose, that is, to ensure that subsequent category coding takes these definitions into consideration.

6.3.2 Category and post-category analysis

At this level of data abstraction, the author had to deal with the issues surrounding explanations and causality. A good theory as Ragin (1987) pointed out that a steady “dialogue” between emerging theory and the data (evidence). That is, a good theory is one whereby the categories fit the data and can be used to explain, predict and interpret (Ragin, 1987). In the same token, it is then necessary to exhaust all evidence to test a theory. This again reinforces the need to read and re-read the data sources against the abstracted concepts and theory, whether emerged or to be tested.

Explanations and causality involved assumptions and bias on the part of the author. Most of the issues relating to biases were dealt with in the chapter 4 on Methodology. However, some assumptions needed to be addressed here. For example, the author made the assumption that the owner-managers planned according to the classic strategic management approach of “analysis-formulation-implementation-control”. In the course of the research, the author found that the strategy-as-practice perspective posed a plausible rival explanation to how owner-managers plan.

Another assumption was that the evidence gathered during the data collection process as directed by the case study protocol was “sufficient” upon the arrival at the purportedly data saturation stage. Putting it in another way, there might be information that was not shared by the respondents that could be important but due to limitation of interviewing time (or some other reasons), these data were not obtained. This is likened to things not shared by all the respondents were considered inconsequential. Therefore the author acknowledged having to work within the limits of bounded rationality in all the analysis.

Phase 3 of the analytical chain of evidence shown in Figure 6.4 is labelled as the “post-category phase” where most thematic analysis took place. Daly, Kellehear, and Gliksman (1997) describe thematic analysis as a search for themes that best describe the phenomenon under study. “Careful reading and re-reading of the data” is pertinent to identifying themes (Rice and Ezzy, 1999, p.258). Patterns recognised within the data were sieved as themes and inscribed as category codes for further analysis. Also, discrete categories identified during the category coding phase were compared and
combined to generate new themes, giving rise to a ‘big picture’ or helicopter view. Metaphors were made to help link this big picture to the research conceptual framework depicted in Figure 4.1 (chapter 4). The process in phase 3 contributed to new understanding of the decision-making behaviour of the owner-managers. For example, there appeared to be minimal effect on the resource allocation that was due specifically to COE’s price volatility. This finding was uncovered in phase 3 and that was in contrast with respondents’ unanimous indication during the interviews (initial code phase) that COE prices had the greatest impact on their operations among all other significant events. Thus, the abstraction process up to this point was to seek for explanations – the approach towards answering the “how” and “why” type of research questions presented in this study.

In line with the analytical generalisation process (rather than statistical generalisation), cruciform charts played an important role in the data abstraction from the initial and category codes to the post-category analysis phase. Cruciform charts were drawn with ratings results of coded concepts within two axes so that their relationship if any could be analysed. Each axis represented one code and likewise, one code represented one concept. The scales on the axes were not precisely quantified in any sense, after all no measurement of any construct was done with a validated scale.

Instead, the ratings on the axes were carried out in terms of a band measurement for example, “low”, “medium” and “high”. The cruciform charts were useful for analysing graphically some forms of cluster or linear relationships. This provided indications of higher order conceptual codes for use in post-category analysis. As a tool, the cruciform chart allowed replication logic to be employed for a multiple case studies such as this.

The selection of the code combinations to construct the cruciform chart had to be done selectivley. This is because there were initially a few hundreds possible code combinations (i.e., cruciform charts) if all the codes were to be used. This was clearly not aligned with the abstraction principle to aggregate concepts whereby the higher order concepts (lesser in the number concepts overall) would lead to a “less is more”, parsimonious explanatory theory.

Cross-case analyses that were done with the cruciform charts were needful in providing theoretical insights and causality inferences for the next level of cross-case display (phase 4 of Figure 6.4) whereby specific vignettes were drawn to strengthen explanations.
6.3.3 Within-case analysis

The essence of the within-case analysis was to make sense out of the voluminous amount of raw data through detailed case study write-up for each site such that patterns emerged out of each case were noted. The author had summarised the salient points of each case using field notes. This process helped the author to become more familiar with every case. With each case’s unique patterns, the author could then make cross-case study to generalise cross-case patterns (Eisenhardt, 1989). The patterns of each case were carefully studied to evaluate plausible rival explanations.

6.3.4 Cross-case analysis and synthesis

Eisenhardt (1989) suggested three techniques that were adopted in this study that led to more reliable findings and conclusion. First, there are tendencies for investigators to conclude prematurely based on limited data (Kahneman and Tversky, 1973) and end up with false conclusion. One cross-case patterns tactic is “to select categories or dimensions, and then to look for within-group similarities coupled with intergroup differences” (Eisenhardt, 1989, p.540). Dimensions that were selected for this study were guided by the variables used in the research conceptual framework (Figure 4.1 of chapter 4) and by the research propositions as well as the concepts relating to the rivals. The second tactic is “to select pairs of cases, list the similarities and differences between each pair, and then look for the subtle differences and similarities between cases” (Eisenhardt, 1989, p.541). Accordingly, this forced comparison could lead to new categories and concepts. The third tactic is to divide the data by data source so as to exploit further insights. In this study, the investigation and analyses were done for the three data sources, namely the open-ended interview, participant observation and the “qualitative” aspect of the questionnaires. The above procedures were helpful to evaluate the usefulness of the Mazzarol and Reboud’s (2009) typology.

As noted from Eisenhardt (1989, p.541), the above tactics can “improve the likelihood of capturing novel findings, and development of accurate and reliable theory”. For example, the strategy-as-practice rival was a surprised outcome of employing these tactics during the cross-case analytical process. An explanatory theory to answer research questions, RQ5 and RQ6 was the use of the causal network analysis (Miles and Huberman, 1994, p.228).
6.4 Examining rival explanations

Kelly and Yin (2007, p.134) remarked that “rival thinking serves as a close companion to argumentative claims” and that it “complements the assertion of claims”. Both authors suggested that rivals permeate all scientific research to increase the certainty of claims. Thus, it is imperative to test the rivals and then rule out competing explanations.

Figure 6.7 Different kinds of rival explanation (Yin, 2014, p.141)

<table>
<thead>
<tr>
<th>Type of rival</th>
<th>Examining rivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The null hypothesis</td>
<td>The observation is the result of chance circumstances only.</td>
</tr>
<tr>
<td>2. Threats to validity</td>
<td>e.g., history, maturation, instability, testing, instrumentation, regression, selection, experimental mortality, and selection-maturation interaction.</td>
</tr>
<tr>
<td>3. Investigator bias</td>
<td>e.g., “experimental effect”; reactivity in field research.</td>
</tr>
<tr>
<td>4. Direct rival</td>
<td>An intervention (“suspect 2”) other than the target intervention (“suspect 1”) accounts for the results (“the butler did it”)</td>
</tr>
<tr>
<td>5. Commingled rival</td>
<td>Other interventions and the target intervention both contributed to the results (“it wasn’t only me”)</td>
</tr>
<tr>
<td>6. Implementation rival</td>
<td>The implementation process, not the substantive intervention, accounts for the results (“did we do it right?”)</td>
</tr>
<tr>
<td>7. Rival theory</td>
<td>A theory different from the original theory explains the results better (“it’s elementary, my dear Watson”)</td>
</tr>
<tr>
<td>8. Super rival</td>
<td>A force larger than but including the intervention accounts for the results (“it’s bigger than both of us”)</td>
</tr>
<tr>
<td>9. Societal rival</td>
<td>Social trends, not any particular force or intervention, accounts for the results (“the times they are a-changing”)</td>
</tr>
</tbody>
</table>

Yin (2014, p.141) provided guidance to the nine types of rivals as shown in Figure 6.7 above. The first three rivals and the remaining six rivals were termed “craft rivals” and “real-life or substantive rivals” respectively (Yin, 2012; Yin, 2014). The three types of rivals that were found to be more significant are direct rival, commingled rival and the rival theory. Market orientation appeared to provide a strong challenge as a direct rival
as well as possibly a commingled rival. Another rival theory that could offset this study’s key assumption as in how the small firm “manages” their strategies is the “strategy-as-practice” perspective in explaining the planning response behaviour. Effectuation theory (Fisher, 2012) also appeared to be able to explain the strategic behaviour of these small firms. Importantly, the field data were examined once again for evidences to support and to debunk the rivals. Again for clarity in the presentation of this thesis, details of each test are given in chapter 7 on Findings.

Eisenhardt (1989) suggested a good cross-case comparison by looking at the data from diverse perspectives reduce the tendencies for investigators to make false conclusions or to conclude prematurely. Also, Yin (2012) pointed out that comparing the strength of evidence of what occurred in the case as well as rival’s explanation would lead to a stronger conclusion.

The rivals were analysed using the same rigorous process as for those conceptual variables guided by this study’s theoretical background. The analysis of the rivals included the 3-phase coding process and display matrices. The focus here was to argue for the creditability of the plausible rivals to stake its claims. The analytic approach is summarised as follows:

- Look at the definition of each construct relating to the rivals.
- Look into the data concerning these constructs and code them.
- Argue for the rival as though to prove them correct.
- To consider the context, for example, characteristics of the small firms

6.5 Summary

The data analysis outlined in this chapter was intended to answer the research questions by a two-pronged approach. The first aspect of the latter approach was to generate an explanatory theory through answering research questions, RQ5 and RQ6. For this purpose, the analysis was informed by Eisenhardt’s (1989) theory development method. One major difference in adopting this method is that the study started with clear research propositions rather than having them developed along the way. The second aspect of the two-pronged approach was to test the planning response typology given by Mazzarol and Reboud (2009). The overall data analyses employed both the pattern matching and explanation building logics in analysing the nine case studies using the
within-case and cross-case techniques. The analytical chain of evidence was practiced to increase the reliability of this study. Testing of rivals such as the *market orientation* and *strategy-as-practice* was done with the same rigour as for testing the research propositions. The next chapter outlines the findings of the analyses completed here.
Chapter 7: Findings

7.1 Introduction
This chapter outlines the findings based on the data analyses processes given in the preceding chapter. First, the coding categories will be explained and illustrated with the basic statistics of the codes that were employed during the coding process. Category-coding method for data analysis was adapted from Piening (2011). Details of the pilot study can be found in section 7.3 to establish the context of the study. The timeline and input of significant events that were highlighted by the respondents served to show the highly unpredictability nature of the Singaporean motor vehicle industry.

Based on the in-depth interviews and observations, a descriptive story of each case study was documented and analysed based on the factors laid out by D'Ambiose and Muldowney (1988). In undertaking the cross-case analysis, the descriptive stories were transformed into vignettes as recommended by Miles and Huberman (1994) in order to succinctly describe how owner-managers engaged in the planning process. It also assisted in the assessment of the owner-managers’ RP and EO. The planning responses of the owner-managers were then mapped against the Mazzarol and Reboud's (2009) planning response typology. In this manner, the typology was examined using empirical evidences.

In view of strengthening the research claim in this investigation of the roles of RP and EO in influencing the planning response, rival explanations were analysed. Empirical data were investigated both in support of as well as against any plausible rival based on Yin’s (2014, p.141) approach.

7.2 Codes and coding structure
As outlined in the previous chapter, the initial codes were abstracted to form category codes. This was followed by mean of informative Tables to show some basic statistics of the category codes and their meanings. NVivo v.10 data management software was utilised for coding and management of field notes. Observations and preliminary analysis were first manually recorded as field notes. An overview of the coding design based on data collected from the nine case studies was first given in Table 7.1 below.
There are a total of 453 references taken from a mixture of 12 main sources. These
sources comprised of nine main case studies and three pilot case studies. Data were transcribed from audio recorded interviews.

The ways how references were classified under the various categories were guided primarily by this study’s theoretical research framework and were also derived from the reiterative coding process. The references of the codes seen in Table 7.1 do not include any coding from the EO questionnaires. Although these were strictly speaking ‘grand-parent’ nodes, for simplicity to aid reading, the following description of findings was categorised as parents and child nodes whereby the latter could have subsumed lower level nodes during the coding process. All these lower level nodes which were categorised at any level below the child nodes were denoted as sub-nodes. The five parent nodes are ‘strategy-as-practice’, ‘owner-manager characteristics’, ‘market and planning’, ‘macro environmental effect’ and ‘firm configuration’.

Figure 7.1 below shows the number of sources coded at each node. NVivo v.10 data management software uses the term, ‘sources’ to mean case studies in this research study. The NVivo term, ‘items’ as shown in the Tree Map means the number of times that each of the 12 main sources (9 main case studies plus 3 pilot case studies) was used in the coding. The most numbers of times that these 12 sources (74 items) were used in coding was the ‘market and planning’ node within which ‘market orientation’, a plausible rival theory used about one-third of it (i.e., 28 items). Figure 7.2 below is actually a graphical illustration of Table 7.1.

There were 39 and 28 references made to ‘market orientation’ and ‘strategy-as-practice’ nodes respectively. Both these nodes utilised eight different sources each. By mean of comparison, ‘risk perception’ and ‘EO’ nodes had 19 and 16 references cited respectively. This confirms that a substantial amount of data was explored to look into the plausible rival theories.

In Figure 7.3, cases ‘E’ and ‘L’ provided significantly more references as compared to the rest. Both cases had the most number of employees and were most illustrative of their entrepreneurial behaviour. For examples, owner-manager ‘E’ (the Ferrari Salesman) was looking at franchising and brand-building initiatives while his counterpart in case ‘L’ (the Bosses’ Administrator) used an ‘investment holding’ concept in running his profitable businesses.
In Figure 7.4, the number of nodes used for each source was close to each other. Together, Figure 7.3 and Figure 7.4 suggest that except for cases ‘E’ and ‘L’, all other cases provided fairly even contributions to the data collected.

Two important nodes that emerged after meticulously reading through the data a large number of times were the ‘collaborative (input) decision-making’ and the ‘transitional activities’ nodes. Some discussions of these nodes are given in the later part of this chapter.

<table>
<thead>
<tr>
<th>Name</th>
<th>Sources</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy-as-Practice</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>Owner-manager characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transitional activities</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Risk Perception</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Entrepreneurial Behaviour</td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td>EO</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Collaborative (input) Decision-Making</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Market and planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Network</td>
<td>10</td>
<td>46</td>
</tr>
<tr>
<td>Consultants</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Profitability</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Long-term focus</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Interfunctional coordination</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Competition orientation</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Market behaviour</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>Macro Environmental effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significance of COE</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Volatility of COE</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Other volatile factors</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>LTA</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>LTA's understanding of market</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>LTA communication</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>LTA approach</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Firm Configuration</td>
<td>8</td>
<td>20</td>
</tr>
</tbody>
</table>

Total number of references: 453
Table 7.2 below shows the composition of the parent nodes, comparing by number of references taken from the transcribed data. As expected, a large number of references were made relating to LTA and COE matters under the ‘macro environmental effect’ node. Similarly as expected, not much (at only 4%) was noted in the ‘firm configuration’ node because as these firms had rather flat structure with small number of headcount. However, there were different levels of complexities within the small firms that were investigated. These variations were due to the different numbers of products or services (businesses) that were offered and also the number of operational geographical locations. As such, Table 7.6 shows the three different ratings in relative terms based on varying structural complexities shown in Table 7.5 below, both these Tables are shown in sub-section 7.2.2 below.

### Table 7.2: Comparison of parent nodes

<table>
<thead>
<tr>
<th>Parent Nodes</th>
<th>Number of references</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro environmental effect</td>
<td>83</td>
<td>18</td>
</tr>
<tr>
<td>Market and planning</td>
<td>172</td>
<td>38</td>
</tr>
<tr>
<td>Firm configuration</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>Owner-manager characteristics</td>
<td>150</td>
<td>33</td>
</tr>
<tr>
<td>Strategy-as-practice</td>
<td>28</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>453</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The coding categories shown in Table 7.3 below were then used for the subsequent qualitative data analysis.
Figure 7.1: Number of sources coded at each node

Legend:

1. Boxes labelled 1 through to 5 are the five parent nodes.
2. Boxes within the parent node boxes are the child nodes or the sub-nodes. For example, the parent node, ‘owner-manager characteristics’ has four child nodes of which EO is a sub-node of the child node, ‘entrepreneurial behaviour’.
3. The size of the area of each box is proportional to the number of sources (case studies) that were used in the coding.
Figure 7.2: Number of coding references coded at each node

Legend:
1. Boxes labelled 1 through to 5 are the five parent nodes.
2. Boxes within the parent node boxes are the child nodes or the sub-nodes. For example, the parent node, ‘owner-manager characteristics’ has four child nodes of which EO is a sub-node of the child node, ‘entrepreneurial behaviour’.
3. The size of the area of each box is proportional to the number of coding references (interview data) that were used in coding each node.
Figure 7.3 Number of coding references cited at each source

Note: The size of the area of each box is proportional to the number of coding references (interview data) that were taken from each source (case study).
Figure 7.4 Number of nodes cited at each source

Note: The size of the area of each box is proportional to the number of nodes (coding categories) that were taken from each source (case study).
**Parent nodes**

The parent nodes of ‘firm configuration’, ‘owner-manager characteristic’ and ‘macro-environmental effect’ were primarily guided by D’Ambiose and Muldowney’s (1988) operational management framework whereby the three elements were originally labelled as ‘organisational configuration’, ‘managerial characteristics’ and ‘task environment’ respectively. In view of the owner-managers’ extensive experiences (see Table 7.6 below) in this industry, longitudinal evidences of each case were carefully tracked.

Further to what was discussed above on the ‘firm configuration’ node, the intention for the latter node was to look for data that show the links between the firm’s organisational configuration and the actual implementation of strategies when the small firms were subjected to environmental changes.

The ‘owner-manager characteristic’ node was clearly important not just because the unit of analysis was the owner-manager. This node aimed to accumulate data that helped to assess the knowledge and competence of owner-managers in dealing with the environmental uncertainty and perceived risk. Also, the data could help in understanding how the planning response could be influenced by the owner-managers’ personal value system and their goals for the firm. Of interest to observe would be how their goals had changed with time and how that could have influenced their planning response.

The ‘macro environmental effect’ node was created to note events that could trigger an owner-manager to implement the operational and/or strategic plans differently. Also, of interest were to look for evidence of how the owners had indicated in the data whether they viewed the external changes in the market environment were or were not creating uncertainty or complexity. Where they saw high levels of uncertainty and complexity the theory suggests that they would have seen more risk and either took no action that might risk their business, or planned in a more formal manner in order to mitigate the risk by reducing uncertainty and complexity.

The ‘macro environmental effect’ category is broadly defined to include LTA, other volatile environmental factors such as the changes in motor vehicle technology, buyers’ behaviour, volatility of COE, the issues relating to environmental protection and the law of the country. With about one-fifth of the references coming from this category and upon closer examination of the sub-categories (child nodes and sub-nodes), the data
pointed the key role played by LTA in influencing environmental uncertainties. The uncertainties were due to the unpredictable competitive bids made by car dealers and distributors in particular. With only five references coded under ‘other volatile factors’, this supported the importance of COE rather than other factors as the key factor affecting owner-managers’ RP.

The ‘market and planning’ parent node had four objectives. First, it was to explore for how the market behaviour contributed to the uncertainty of the task environment. Second, it was to see how owner-managers responded to specific market behaviour in their planning in general. Third, it was to study the market orientation, a plausible rival of the firm. Finally, it was also for the purpose of studying the influence of external network on the owner-managers.

The ‘strategy-as-practice’ perspective rivals the assumption made in this study with regards to the meaning of a small firm’s strategy. This node was created for the purpose of analysing the data of this potential rival.

**Child nodes (and sub-nodes)**

The ‘LTA’ and ‘significance of COE’ nodes were created to understand the industry better. It was part of the data collection strategy to triangulate the information given by the government (through LTA), the motor trade associations and the owner-managers. The aim of the ‘other volatile factors’ node was to challenge the assumption that COE is the main significant factor that caused uncertainty in the task environment.

‘Entrepreneurial behaviour’ code was preferred as a category (child node) rather than a more direct ‘entrepreneurial orientation (EO)’ code to allow entrepreneurial characteristics other than EO to be scrutinised. For example, the heuristic and biases of the owner-managers (Mazzarol and Reboud, 2009, p.123) could be examined to understand the transition from the perceived risk to how resources were re-allocated (if any). Nevertheless, EO was coded as a sub-node of the ‘entrepreneurial behaviour’ child node.

The ‘EO’ and ‘risk perception’ nodes encompassed data relating to the cause-effect of EO and RP, which together were then utilised to study with their juxtaposed planning response.
<table>
<thead>
<tr>
<th>Theoretical categories</th>
<th>Subcategories</th>
<th>Operationalisation (coding scheme)</th>
<th>Selected references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro Environmental effect (Task Environment)</td>
<td>LTA (Land Transport Authority)</td>
<td>How LTA regulate the number of cars on the road with COE policies? How LTA communicate their policies based on their understanding of the industry? Based on these two questions to understand why the COE is a primary cause for how the owner-managers response to the risk perceived due to COE changes.</td>
<td>Daft (2013); D’Amboise and Muldowney (1988)</td>
</tr>
<tr>
<td></td>
<td>Significance of COE</td>
<td>Volatility of COE.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other volatile factors (from the environment)</td>
<td>Environmental factors relating to technology, social-cultural behaviour, environment-protection and legal matters.</td>
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<tr>
<td>Entrepreneurial Behaviour</td>
<td>Entrepreneurial orientation</td>
<td>EO – risk-taking, proactiveness and innovativeness substantiated with questionnaires.</td>
<td>Chadwick et al. (2008); Covin and Slevin (1989); Certo et al. (2009)</td>
</tr>
<tr>
<td>(External) Network</td>
<td>Consultants</td>
<td>External business consultants and suppliers – examination of how the network could influence owner-managers’ knowledge and competence.</td>
<td>Mazzarol and Reboud (2009)</td>
</tr>
<tr>
<td>Plans (Strategic and operational)</td>
<td>Planning</td>
<td>Strategic plan – more than a year, Operational plan – less than a year, functional plans To observe also the general response to environmental uncertainty.</td>
<td>Robinson and Pearce (1983)</td>
</tr>
<tr>
<td>Theoretical categories</td>
<td>Subcategories</td>
<td>Operationalisation (coding scheme)</td>
<td>Selected references</td>
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<td>------------------------</td>
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<td>-----------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
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<tr>
<td>Market orientation</td>
<td>Competition orientation</td>
<td>Understanding of target market segment;</td>
<td>Day and Wensley (1988); Porter (1980 and 1985); Aaker (1988); Webster (1988);</td>
</tr>
<tr>
<td></td>
<td>Customer orientation</td>
<td>Understanding of strengths and weaknesses of competitors;</td>
<td>Houston (1986); Kohli and Jaworski (1990); Felton (1959); McNamara (1972)</td>
</tr>
<tr>
<td></td>
<td>Interfunctional coordination</td>
<td>Coordinated utilisation of resources to create superior value for target customers;</td>
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<td></td>
<td>Long-term focus</td>
<td>Long-term focus on profits;</td>
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<tr>
<td></td>
<td>Profitability</td>
<td>Profit-making.</td>
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</tr>
</tbody>
</table>
7.2.1 Transitional activities

Yin (2014, p.163) asserted the importance of studying under specific environmental context and also to highlight the transitions between ‘boxed’ activities in case study research. One such transition is point ‘A’ as shown in Figure 7.5 below. Point ‘A’ is at the same position of the research conceptual framework depicted in Figure 4.1 as ‘owner-manager planning decision’. At this juncture, owner-managers’ mental process of inputs led to a specific planning response.

An important input for this process derived from outsiders or within the firm through what is known as the boundary-spanning activities. These activities were rather recognisable in the data as illustrated in Table 7.4 below. Boundary-spanning roles ‘link and coordinate an organisation with key elements in the external environment’ to bring into the organisation information about changes in the environment as well as to present the organisation to the environment in a favourable light (Daft, 2013, p.159).

Figure 7.5: Transition between ‘boxed’ activities (adapted from Yin, 2014, p.163)

Besides external sources of knowledge, it was noted that the input from peer owner-managers (also shown as transition point ‘A’) influence the eventual planning response. Further findings were shown in the next sub-section.
7.2.2 Collaborative (input) decision-making

It was observed that owner-managers preferred to make planning decisions taking into consideration of some form of input from fellow owner-managers or external contacts. It suggested that owner-managers acknowledged their limitation in business knowledge and thus needed to leverage the knowledge and competence of others. The data suggested that these input were crucial in shaping their RP and ensuing planning response. The verbatim below illustrates the importance of decision-making using collaborative input.

“…if your partner (in actual fact, a ‘sleeping’ partner) wants to go ahead with a risky project, would you embark on it? Reply: ...because all this we got to do by discussion, cannot do by one-man show. If he thinks it is workable and I think it is not workable, we will sit down and talk it out. He will give his opinions on why it is workable and I will give my opinions on why it is not workable and then we will come out with a conclusion.”

Table 7.4 below summarised the importance of a collaborative decision-making process that considered input from fellow colleagues and outsiders.
Group  | Vignettes  | Representative data examples
--- | --- | ---
Within firm  | Owner-managers were careful to involve their key employees or managers (or co-owner) in making important decisions.  | “How do you make changes? Do the two of you (owner-managers) discuss or involve Ah Lek (key manager who was responsible for 40% of their customers and he oversaw all workers)? Reply: *Involve Ah Lek*” [respondent who was one of the two owner-managers, Case ‘D’ (Tech Salesman)]
 |  | “So, can I say that you are doing more of the strategic planning part? Reply: *Ya, but ultimately is still between the both of us, so whatever we decide, we will discuss first.*”
 |  | “So, both of you will discuss on how to implement the strategies? Reply: *That’s right*” [owner-manager, Case ‘I’ (Duet Administrator)]
 |  | “…so, when faced with decisions that affect your company’s financial future, do you choose alternatives based on assessment conducted by others? …people like your partner, let’s say if your partner says this is ok to go ahead, will you… Reply: *Yes, it means quite a bit to me because my partner has been in the industry for a very very long time, so her words to me are important in terms of decisions we made in the company.*”
 |  | “Even if it diverges of any strategic plans? Reply: …*having been in partnership with her for so long, we have always found a way to agree, whether it is down like maybe a compromise, it is either a way to agree, a way to convince, we always carry our decisions as a unit*” [owner-manager, Case ‘I’ (Duet Administrator)]
 |  | “Now, let’s proceed to talk about your company’s organisational structure. You mentioned just now that there are 5 people, right? So, Joseph (an owner-manager) will make decisions, but does he consult with you before doing things? Reply: *He will consult with us and we will discuss about any issues which we will check with him for any decisions to be made.*” [procurement manager, Case ‘K’ (Ethnic Salesman)]
 |  | “Do you have any strategic planning? Will you consult the employees or the bosses?” Reply: *They will tell me, give me feedback, and we will compromise.*”
 |  | “And the final decision? Reply: *I will decide*” [owner-manager, Case ‘L’ (Bosses’ Administrator)]

Table 7.4: Significance of collaborative (input) decision-making (adapted from Piening, 2011)
<table>
<thead>
<tr>
<th>Group</th>
<th>Vignettes</th>
<th>Representative data examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Within firm</strong></td>
<td>However, when the employees appeared not up to the competent to contribute to decision-making, then as expected, owner-managers had to make decisions without consulting them.</td>
<td>“Do you make all the decisions yourself? Or do you consult your employees? Reply: No. We rely on our (means both owner-managers) own judgment. Employees will only tell you the problems they faced” [owner-manager, Case ‘F’ (Contented Shopkeeper)]</td>
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<td></td>
<td></td>
<td>“Will you consult his (an employee) opinion when you need to start new things? Reply: Yes, of course. He has been in the accessories market for many years. He was at Malaysia before he came to Singapore. Before I order things, I will seek his advice, whether will the thing go into the market. He will give his opinion. I won’t like a one-man show where I just go ahead and order things” [owner-manager, Case ‘H’ (Transition Salesman)]</td>
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</table>
| **External network** | Owner-manager could recognise the input from their customers to make strategic changes. For this particular case, external consultants were disappointing and his workers were not competent enough to engage him in strategies. Education was recognised to be important for strategic planning. According to respondent E who had only sub- GCE “O” level educational level: His girlfriend is highly intelligent and educated. Previously, she worked for a governmental ministry as an Engineer involved in high security projects. She quit her job to help him out in his business. She provided her analytical perspective in helping him in business matters. | “….do you have any methods, or kind of process that you do, like for example you talk to some friends? Reply: I talk to customers, because my customers are mainly a lot of high-end people. They are already quite established. They are already up there. So always their advice make me change…” [owner-manager, Case ‘E’ (Ferrari Salesman)]  

“…then I realised, education play a very important part. Is education. Now I really really realised that, if you really want to do a , be a good businessman, not only on your guts, the strategy, but you also must have the education” [owner-manager, Case ‘E’ (Ferrari Salesman)]  

“You mentioned that in the future you are going to bring in new cars. So, when will that be? Reply: It depends, for us depends on our customers, sometimes we also get the information from our customers, see what they are thinking of. Because we are selling cars to them, we also get information from them.”  

“You mentioned that in the future you are going to bring in new cars. So, when will that be? Reply: It depends, for us depends on our customers, sometimes we also get the information from our customers, see what they are thinking of. Because we are selling cars to them, we also get information from them.” [owner-manager, Case ‘K’ (Ethnic Salesman)] |
<table>
<thead>
<tr>
<th>Group</th>
<th>Vignettes</th>
<th>Representative data examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External network</strong></td>
<td>Owner-managers sought for input from their friends and others who were in the same industry and who could even possibly be their competitors. Examples: Software upgrade from contacts working in Car Distribution companies (case ‘D’, the Tech Salesman; knowing customers’ preferences for product through suppliers (case ‘F’, the Contented Shopkeeper).</td>
<td>“…do you actually engage any external consultants? Reply: <em>First of all, I am a bit apprehensive as to what an external consultant can offer us, to tell you the truth….; …we can get a lot of feedback among the dealers, and also the car distributors and all that, because people in the sales group will have friends everywhere as well, so, we will have a good gauge how much COE will basically go up or drop, depending on whether the new car orders are coming in, and how it eventually affect used car prices, and all that, so, we get pretty good forecasting on our own</em>” [owner-manager, Case ‘I’ (Duet Administrator)]</td>
</tr>
</tbody>
</table>
7.2.3 How the complexity of the organisational configuration is operationalised

Organisational complexity is a function of three organisational dimensions, namely the number of operational geographical locations, degree of horizontal and vertical differentiations (Daft, 2013). With the exceptions of the Bosses’ Administrator and the Ferrari Salesman where both operated out of three different geographical locations, all the rest of the cases had only one. Table 7.5 below summarised the three dimensions and included also the number of product or service offered by each firm to further corroborate the complexity level. The degree of structural complexity were then assessed and given in Table 7.6 below. This assessment would be utilised when mapping the data unto the Mazzarol and Reboud’s planning response typology.

All the firms had been operating for more than 10 years except for the Transition Salesman (Firm ‘H’) which had only three years. However, both owner-managers of firm ‘H’ were highly experience in this trade. Table 7.6 included other details on each firm’s profile to provide a more holistic understanding of the nine organisations.

Table 7.5: Structural Complexity (Daft, 2013)

<table>
<thead>
<tr>
<th>Case</th>
<th>Number of product/service</th>
<th>Number of locations</th>
<th>Horizontal Specialisation</th>
<th>Hierarchy of authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>1</td>
<td>1</td>
<td>Medium to High</td>
<td>Medium</td>
</tr>
<tr>
<td>E</td>
<td>4</td>
<td>3</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>F</td>
<td>2</td>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>G</td>
<td>2</td>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>H</td>
<td>1</td>
<td>1</td>
<td>Low to Medium</td>
<td>Low</td>
</tr>
<tr>
<td>I</td>
<td>2</td>
<td>1</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>J</td>
<td>2</td>
<td>1</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>K</td>
<td>2</td>
<td>1</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>L</td>
<td>2</td>
<td>3</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
7.3 Initial findings

To create a ‘controlled environment’ which all respondents in the main case studies could relate to, a timeline of key events impacting the local automobile industry over the recent years was drafted after the pilot case studies were done, as seen in Figure 7.6 below. The findings from the pilot study provided a more defined timeline and in so doing assisted in the completion of the case study protocol.

7.3.1 Effect of COE prices

The pilot study was indeed beneficial in providing a holistic understanding of the industry and had served its purposes well. A summary of the findings of the pilot study was given in Table 7.7 below. Triangulation technique was employed to identify similarities of respondents’ views across the three pilot cases. Respondents’ opinions signalled a consistent view that events of previous five years were considered significant enough to be used for the multiple case studies phase. As it turned out, 2008 to June 2013 were the years that all the respondents were able to recall with more conviction. The COE price shot up to S$92,100 in July 2012. It was then unanimously indicated by all the respondents to be one most significant incident in recent years.

![Table 7.6: Structural profile](image)
Hence, this particular incident was used as a reference point to gauge the level of RP over time.

The impact of all other task environment factors was dwarfed by the highly unpredictable COE price level. All the respondents in the three pilot case studies concurred that governmental policies relating to COE pricing was the main cause of concern for small businesses in this industry. This did not imply that the owner-managers could not handle the variability of COE prices of which were illustrated in Table 6.3 of the previous chapter. It simply suggested that their planning activities were shaped by their perceived risk as a result of the volatile COE prices. Since the results of the COE prices through a bi-monthly open bidding process were made known twice a month, respondents were careful that their planning was in tandem with a short time horizon rather than an extensive one. To further substantiate the importance of COE pricing, out of the 47 items coded under the ‘macro environmental effect’ parent node, only the Ferrari Salesman was explicit that the macro-economic condition rather the COE price was more of a concern:

“Yes, high end customers affected. COE when go up, don’t affect at all. Is mainly the crisis (referring to the 2007/2008 global financial crisis).” [Ferrari Salesman]

The Ferrari Salesman explained that only the economic crisis could impact his customers in a significant way. This was because most of his highly affluent target segment did not find the COE prices to be of any hindrance to car ownership:

“But to those who can afford to buy the S$92,000 COE, these are the premium customers. Hey, buy a car already more worth than a million, what is S$92,000? To them, this amount is nothing.”

Nevertheless, increases in COE prices dampened the purchasing mood of any potential buyer. In this respect, high COE prices were likely to benefit him because some of his customers could bring their ‘old’ cars for car detailing work. Therefore, ‘risk’ to the respondents was attributed primarily to COE price fluctuations that were out of their locus of control. This appeared to have ramifications on implementing any expansion plan and any long-term endeavour. That is, expansionary activity if any was reactive, driven by existing demand rather than business forecast. As reflected by the Transition Salesman:
The pilot cases also showed that this was a matured industry whereby price points of motor vehicles were easily available through the use of internet and various media sources. From the perspective of the Perturbed Shopkeeper, Duet Administrator, Ethnic Salesman and the Bosses’ Administrator, they specifically ascribed this as a ‘sunset’ industry. At first, this carried the connotation of pessimism about their future in this industry. On further investigation, it seemed to mean that it was a highly challenging industry (‘sunset’ industry) whereby governmental regulations created an atmosphere of unpredictability. Nevertheless, there was optimism amidst the apparent challenges. This was reflected by the fact that these nine respondents continued to be in this trade even after many years of operating in such a highly volatile environment. Table 7.6 above shows the average number of years that the respondents had been in this industry to be 20.

That is, amidst the cynicism, there were signs of entrepreneurial confidence expressed by some respondents within the environmental uncertainties. For examples, the Tech Salesman was upbeat enough about growth by increasing headcount; and the Ferrari Salesman continued to expand in his niche business by steering into the car workshop business which was a highly saturated segment of the motor vehicle sector. The Bosses’ Administrator employed an approach similar to the ‘investment holding company’ model to gain success. In the meantime, all other respondents were relying much more on the mutual support of their external networks.
Figure: 7.6 Historical Timeline of key events

1990
The Vehicle Quota System implemented. LTA determines the number of new vehicles allowed for registration while the market determines the price of owning a vehicle. The Certificate of entitlement (COE) price level is a direct cost factor of a new vehicle.

1998
ERP System implemented to automate the manual system.

2000
Import tax duties for automobiles increased to 31%

2002
Import duties were reduced from 31% to 20%

2003
Financing limits on car loans given out by banks since 1995 were scrapped in 2003 as LTA deemed it not effective in influencing COE prices.

2005
Tax incentives for green vehicles and Euro IV diesel vehicles. Buyers of hybrid electric and CNG cars will continue to enjoy tax break until the end of 2011. They are accorded a 40% cut in the additional registration fees (ARF) which is the main car tax.

2006
August 2006 LTA lifted following requirements:
- 10-year statutory lifespan of private hire cars (rental cars)
- Rule that only new cars may be registered for private hire

2008
Petrol and diesel prices rise to record levels and increase at the fastest rate the Automobile Association had ever seen, though the year ended with prices dropping back to a 21-month low.

2010
January 2011
Number of new cars shrank by 34.7% in the previous year.
Dec 2011
Severe MRT breakdown which lasted hours in a span of 3 days.

2013
May 2009
Poor performance from the parallel import car trade. The ration of car sold by parallel importers to members of the Motor Traders Association of Singapore fell from 1:3 in 2008 to 1:5 in 2009.
August 2009
39 car parallel importers get CaseTrust stamp, a signal of better services provided.
September 2009
Car COE premiums have more than trebled in value since February 2009, pushing car prices up by about $10,000.
7.3.2 Insights from the pilot study

Based on the pilot interviews, owner managers were able to predict rudimentarily the fluctuation of the Certificate of Entitlement (COE) prices based on quota information released monthly by the Land Transport Authority (LTA). This could possibly reduce perceived risk because owner-managers were better able to estimate the next bid price judging by at the number of COEs that were available for bidding. Still, it appeared to be difficult for the small firms to either find the time to monitor the changes in COE prices closely or had the expertise to make meaningfully accurate projections. As many believed it to be a ‘sunset’ industry, formal analysis was not viewed as a top priority for the respondents. Also, owner-managers continued to be baffled by COE price fluctuations as affirmed by all respondents. COE price forecast was done intuitively based on their extensive experience in this industry. Nevertheless, LTA’s announcements relating to COE or vehicle ownership costs were helpful to analyse and predict COE price trends. Therefore, owner-managers needed to keep abreast of LTA’s announcements relating to COE matter in particular, one way or another.

As the respondents had little formal education, it was hard to determine if all the announcements from LTA were truly communicated and understood by them. However, those with good external network were assumed to be better informed as they could communicate easily using local dialects or Chinese. Nonetheless, not being able to understand first hand could raise their RP. This is because these owner-managers might feel that the LTA news relayed to them by any third party may not be as accurately presented due to possible misinterpretation of LTA’s intention.

There also appeared to be a sense of contradiction and confusion with respect to the use and effectiveness of COE as a mean to curb car population. On one hand, the LTA appeared to be confident that the COE was an effective tool for curbing car population going forward. On the other hand, LTA also admitted that COE prices and overall ownership cost were manageable by buyers. ‘Manageable’ here meant COE price levels were still within the purchasing power of buyers. Thus, suggesting that this absolute high price level was still not effective in regulating the demand as yet. Also, the industry had accepted that the cost of COE could be passed on to the potential buyers as had been the norm for many years, then it could be plausible that the owner-managers would not be overly concerned with a high COE level. Please see ‘Governmental Regulations – consistent demand for cars’ and ‘Economic Factors – illustrate the consistent demand of vehicles’ rows of Table 7.7 below. This was because small
dealers routinely included the cost of the expected COE prices in a sales deal. Mostly, it was the large fluctuation of COE prices and other LTA’s policies that contributed to business risks (perceived or not) and brought about the challenges in deploying the small firms’ resources to reap any transitory benefits.

Small car dealers were mainly price followers. Frequently, the larger motor vehicle distribution firms such as Cycle and Carriage (C&C) and Borneo Motors ‘dictated’ the eventual COE bid price. This was because the COE price of any bidding exercise was determined by the highest bid. Therefore, with bigger financial muscles, these larger companies frequently snapped up a large number of the COE quota with their higher bid price. However, these bigger industry players were not as agile and opportunistic as the smaller firms due in part to relatively larger organisational inertia. Please see ‘Competitors – bigger players, less versatile’ row of Table 7.7 below. With any LTA announcement or even just a hint of any impending policy, the small firms could move ahead quicker in their marketing process. While the larger competitors used pricing as their weapon, the smaller ones recognised the importance of speed and service as their competitive edge. Still, as long as the demand of cars could sustain, the larger firms could respond fairly easily to LTA’s changes in COE policies with their deeper pockets. All the small firms could do in their planning response was to continuously watch the actions of the bigger firms and of LTA. Hence, the unpredictability of the task environment was attributed to a significant extent by the perceived random LTA policies to curb vehicle population (please see ‘Governmental Regulations – uncertainties’ row of Table 7.7 below).

**Summary of initial insights**

Besides the issue of COE, currency fluctuation contributed to some volatility as it could determine the type of cars that should be imported. Motor vehicles imported from Japan and Europe were transacted using Yen and Euro currencies respectively. A scenario of rising Japanese Yen and falling Euro dollars could cause the import of Japanese cars to fall, while pushing up continental cars import levels. Vice versa could happen as well. A volatile currency changes meant that the highly adaptable small firms needed to be flexible to switch the product focus. Please see ‘International Events – could favour the agile small firms’ row of Table 7.7 below.

Inadvertently, the level of service performed by the small firms was instrumental in gaining repeat businesses and preserving loyal customers. Almost all respondents (except the Perturbed Shopkeeper) pointed out the importance of building an enduring
relationship based on trust among owner-managers, their employees and customers. These owner-managers emphasised that the longevity of their businesses were bolstered by their continual pursuit of service excellence. While trust might be presumptuously a key success factor in any industry, in the context of a rather price inelastic market in Singapore, and what had been described as a ‘sunset or dead’ industry, owner-managers continually seek to improve upon their cutting edge.

...according to the Bosses’ Administrator: “the car industry is dead”.

Word-of-mouth was essential for repeat businesses. The respondents indicated that an important attribute of service excellence was to be ethical. Within the organisation, ethical practices gained the trust (Hosmer, 1994) and the support of employees as evident in the Contented and the Perturbed Shopkeepers.

COE price volatility was the most significant factor that influenced owner-managers' planning decisions. Buyers remained largely unperturbed by the outrageous COE price. Other factors such as the environmentally-friendly vehicles, ‘Additional Registration Fee’ (ARF), the ‘ Preferential Additional Registration Fee’ (PARF) and other taxes did not seem to rattle the decisions of owner-managers or buyers. This was probably in part due to the relatively lower monetary cost as compared to the cost of COE.

More importantly, with the exception of the Ferrari Salesman and perhaps the Duet Administrator (“…it is short term planning, yes, but normally very little long term planning..”), all other respondents were not inclined to discuss about the prospects and benefits of strategic plans. In other words, the respondents seemed to portray a deep sense of skepticism about benefits of formal long term plans or business strategies. Metaphorically, the manner owner-managers operated their firms was likened to writing a précis rather than a doctoral dissertation, or a sprint rather than a marathon. Judging from the number of years these respondents had been in the business, it was obvious that their business pursuit should be to drive their firms as long as possible. Therefore, there ought to be a strategic plan albeit mostly informal. It was indeed difficult for the author to reconcile why they were unease to discuss about strategic plan as though it was a ridiculous topic to dwell upon. All things pointed to functionally driven, operational plan which tended to be tactical in nature. That prompted the author to probe into the ‘strategy-as-practice’ perspective as a rival explanation, an alternative strategy concept to the assumed one given earlier in the thesis.
### Significant events

**Governmental regulations - uncertainties**

- **Certificate of Entitlement (COE)** enacted since May 1990 seeks to limit car ownership. This system requires residents to bid for the right to buy a motor vehicle, with the number of certificates restricted. Holders can own a car for a period of 10 years, after which they must scrap or export their car or bid for another COE at the prevailing rate if they wish to continue using their car for a further 5 or 10 years (Land Transport Authority, 2012).

### Secondary sources reviewed

**Car Ownership Costs:**

The Certificate of Entitlement (COE) enacted since May 1990 seeks to limit car ownership. This system requires residents to bid for the right to buy a motor vehicle, with the number of certificates restricted. Holders can own a car for a period of 10 years, after which they must scrap or export their car or bid for another COE at the prevailing rate if they wish to continue using their car for a further 5 or 10 years (Land Transport Authority, 2012).

COE premium reached a new high in 2012 for small cars ahead of a cut in COE supply (The Straits Times, 2012).

### Case A: LTA

“We don’t deliberately cut quotas or increase quotas arbitrarily... Basically the low quota what we see today is because in the preceding 6 months, very few people de-registered their vehicles. The only thing we cut is the growth component, but that only forms a small part of the quota because 0.5% times the base population is actually a small number.”

“(The quota) is based on a fixed formula. So is totally transparent, what the motor industry will see. So they actually can track, and they can do their own projections based on our established formula, which is transparent to all. The motor industry, from our interaction with them, they know.”

### Case B: AIEA/SVTA

“Actually COE is one of the factors that actually determine the value of the car, and because it fluctuates very much, up and down, like rollercoaster, so it’s actually very hard for the industry to anticipate the feel and the price. This not only applies to us, this also applies to the car agents. Because as the price fluctuates, they also really find it difficult.”

“I think the COE bidding system... The COE prices play a big part in selling your car. Most of the buyers these days don’t worry about the car’s technical details; is whether can get the car or not. So the COE is the deciding factor whether they can sell the car, so whether the agent is successful in the sale depends on how they play the COE...” [note on slang: “play” here refers to how well the agent bid for the COE.]”

### Case C: Owner-manager

“Whenever LTA change their regulations, for example COE increases, consumers markets will change path. Used cars business is the trend. So the whole car industry will shift towards that kind of vision. If I don’t sell used cars, I might lose my pie, lose my position in the car industry.”

### Table 7.7: Pilot study findings

<table>
<thead>
<tr>
<th>Significant events</th>
<th>Secondary sources reviewed</th>
<th>Case A: LTA</th>
<th>Case B: AIEA/SVTA</th>
<th>Case C: Owner-manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental regulations - uncertainties</td>
<td>Car Ownership Costs: The Certificate of Entitlement (COE) enacted since May 1990 seeks to limit car ownership. This system requires residents to bid for the right to buy a motor vehicle, with the number of certificates restricted. Holders can own a car for a period of 10 years, after which they must scrap or export their car or bid for another COE at the prevailing rate if they wish to continue using their car for a further 5 or 10 years (Land Transport Authority, 2012). COE premium reached a new high in 2012 for small cars ahead of a cut in COE supply (The Straits Times, 2012).</td>
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</tr>
<tr>
<td>Significant events</td>
<td>Secondary sources reviewed</td>
<td>Case A: LTA</td>
<td>Case B: AIEA/SVTA</td>
<td>Case C: Owner-manager</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Governmental regulations - uncertainties</strong></td>
<td>The Electronic Road Pricing (ERP) scheme was implemented in September 1998. It is an electronic toll collection scheme adopted in Singapore to manage traffic by road pricing and as a usage-based taxation mechanism. Singapore was the first city in the world to implement such a system (Land Transport Authority, 2012). In the forum section of local newspapers in recent years, motorists have articulated the uncertainty in ERP rates. For example, with effect from 1 May 2012, ERP rates went up at four gantries on the south-bound Central Expressway (CTE) with little prior notice. The introduction of 5 new electronic gantries prompted more people to take public transport (The Straits Times, 2012).</td>
<td>“ERP is more of behaviour of drivers.”</td>
<td>Nil</td>
<td>“It will affect, but minimal. Cars had become a need already, not just a luxury item. Younger generations in their 20s, once they have gotten their license, they will want a car, be it a new car, or a second-hand car. So, ERP, just like petrol prices, are on the rise. Recently they reduce the price of the ERP amount for certain timings. So once they have more, the Government will definitely reduce something.”</td>
</tr>
<tr>
<td><strong>Governmental regulations – consistent demand for cars</strong></td>
<td>Changes to the Consumer Protection (Fair Trading) Act and Hire Purchase Act were made, with the so-called “Lemon Law” to be introduced in September 2012. It seeks to help consumers seek redress for purchases that lack quality or performance (The Straits Times, 2012).</td>
<td>Nil</td>
<td>“Because Lemon Law, customers will have recourse by making a big hoo-ha.”</td>
<td>Nil</td>
</tr>
</tbody>
</table>
### Significant events

<table>
<thead>
<tr>
<th>International events – could favour the agile small firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 2008 subprime mortgage crisis has affected the incomes of many people, including motorists and car buyers. Many postponed purchase and this affected sales. This led to the automotive industry crisis from 2008 to 2010, where it was weakened by a substantial increase in the prices of fuels linked to the energy crisis which discouraged purchases of sport utility vehicles (SUVs). The high profit margins of these vehicles had encouraged the &quot;Big Three&quot; automakers - General Motors, Ford, and Chrysler to make them their primary focus. With fewer fuel-efficient models to offer to consumers, sales declined. Due to this, the number of new cars in Singapore shrank by 34.7% in 2010. Currency fluctuations in 2012 continued. As the yen is rising while the euro is falling, this leads to Japanese cars becoming more expensive to import compared to continental makes. For example, the euro tumbled below 95 yen for the first time in 12 years in 2012 (DataMonitor, 2011).</td>
</tr>
</tbody>
</table>

### Secondary sources reviewed

- The 2008 subprime mortgage crisis has affected the incomes of many people, including motorists and car buyers. Many postponed purchase and this affected sales. This led to the automotive industry crisis from 2008 to 2010, where it was weakened by a substantial increase in the prices of fuels linked to the energy crisis which discouraged purchases of sport utility vehicles (SUVs). The high profit margins of these vehicles had encouraged the "Big Three" automakers - General Motors, Ford, and Chrysler to make them their primary focus. With fewer fuel-efficient models to offer to consumers, sales declined. Due to this, the number of new cars in Singapore shrank by 34.7% in 2010. Currency fluctuations in 2012 continued. As the yen is rising while the euro is falling, this leads to Japanese cars becoming more expensive to import compared to continental makes. For example, the euro tumbled below 95 yen for the first time in 12 years in 2012 (DataMonitor, 2011). |

### Case A: LTA

- Nil

### Case B: AIEA/SVTA

- “In fact we are more fortunate than the agents, if they are handling Japanese cars then there is no way they can change to European cars. For us, since we are doing parallel imports, we can go either way or start to shift, for them they can’t.”
- “Unlike the agent, when they have the fixed dealership, we don’t have any commitment in terms of which brands we want to bring in. So it depends on at that point in time, we can actually change our strategy fast enough.”
- “In fact in our line, most of these dealers are very agile. Let’s say European cars are moving, they will import more European cars.”

### Case C: Owner-manager

- Nil
<table>
<thead>
<tr>
<th>Significant events</th>
<th>Secondary sources reviewed</th>
<th>Case A: LTA</th>
<th>Case B: AIEA/SVT A</th>
<th>Case C: Owner-manager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitors – bigger players, less versatile</strong></td>
<td>SMEs, as small players in the automobile market, face stiff competition in securing market share as established main agents such as Borneo Motors possess higher brand equity (DataMonitor, 2011). Due to the high fixed costs and the ability to enjoy economies of scale only over a large output, coupled with immense capital requirements in a declining market, the threat from established agents is great (Chandler, 1992).</td>
<td>Nil</td>
<td>“The main agents are not given the opportunity, because they are stuck in that, they can’t say whatever they want, even to the extent what they can bring in to sell, in fact the principal will decide what they can bring in to sell.”</td>
<td>“Kah Motors have branding in a way, because most consumers like your dad from the upper generations will have more confidence in Kah Motors rather than smaller companies like parallel import companies. Why? In terms of after-sales service, it is what the consumers will look into more. Price, for parallel importers-wise, maybe a couple of thousands of dollars cheaper for a similar car, but if you spend $3k-5k more and buy from the agent, you will have a piece of mind, because for you after-sales service, the company will still be there in 10-20 years as it is a big company.” “Some of the parallel importers are so-called ‘run-by-night’ companies – you can open today, I sell you the car today, maybe 6 months later I am not there anymore. They are short term businesses. Consumers will look into all these when they decide to purchase a car.”</td>
</tr>
<tr>
<td>Significant events</td>
<td>Secondary sources reviewed</td>
<td>Case A: LTA</td>
<td>Case B: AIEA/SVTA</td>
<td>Case C: Owner-manager</td>
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<tr>
<td><strong>Economic factors – illustrate the consistent demand of vehicles</strong></td>
<td>Financing limits on car loans given out by banks since 1995 were scrapped in 2003 as LTA deemed it not effective in influencing COE prices. One reason is that other sources for car loans, such as car dealers and non-bank credit or leasing companies, exist. Individuals can borrow from them and get around the rules imposed on banks (The Straits Times, 2012).</td>
<td>“My understanding is that, they probably see there is no prudential reason to cap at 30%, as it does not constitute a big risk to banks. There were also questions as to how effective the 70% was as... buyers can always cover the 30% using car loans, bridging loans, loan sharks, moneylenders. Even the car dealers offer their own financing packages. And MAS only controls the banks and not others. Moneylenders are under another agency. In fact at that time COE price was still rising. Now interests rates are so low, people have other financing means, need not go to banks, car dealers are happy.”</td>
<td>Nil</td>
<td>“Since 2003, consumers can take 100% loan. Previously, MAS required a downpayment of 30%. So in 2003-2006, due to easy bank approval, there was massive buying of cars. 3-5 years later, people cannot scrape their car, since it is too costly to buy a new car! This has caused an oversupply of cars on the road now, as cars had to wait 10 years before being taken off the roads.”</td>
</tr>
<tr>
<td><strong>Environmental factors – insignificant to the buyers</strong></td>
<td>Singapore adopted Euro IV standards for diesel engines in 2006 and gave tax incentives for green vehicles. Buyers of hybrid electric and CNG cars enjoyed tax breaks. They are accorded a 40% cut in the additional registration fees (ARF) which is the main car tax (The Straits Times, 2012).</td>
<td>“In fact diesel is more fuel-efficient and lower emissions. It is just that historical diesel engines give people a bad impression because of the commercial vehicles, but now the diesel engines are very technologically advanced, if they meet the Euro V standards we allow them to be imported... but there are not many diesel cars in Singapore. They are 10-20% more expensive than the petrol equivalent, but they are more fuel-efficient.”</td>
<td>Nil</td>
<td>“Those that you mentioned, they are already doing. I think Jerry has already stated, unlike the agent, when they have the fixed dealership, we don’t have any commitment in terms of which brands we want to bring in. So it depends on at that point in time, we can actually change our strategy fast enough.”</td>
</tr>
</tbody>
</table>
7.4 Analysing plausible rivals

Examining rival explanations is a crucial part of the analytic strategies employed for this study. This involved the application of the pattern matching and explanation building analytic logics to show that this study’s propositions were supported. However, the data did suggest market orientation as a rival to EO in moderating RP. Interestingly, Baker and Sinkula (2009) found that market orientation (MO) and entrepreneurial orientation (EO) complement each other to improve profitability in small firms. The study indicated that even though both are distinctly different constructs, they are correlated. Assuming that the effects on profitability (measured through innovation success in their study) imply having some impact on planning response, then, MO is a plausible rival that should be analysed.

Substantial data also appeared to support strategy-in-practice perspective and thus rival the ‘strategy-as-content’, process-based approach used in defining the small firm’s strategy assumed in this study. Hence, the following section uncovered and discussed both of these potential rivals.

7.4.1 Market orientation (MO)

The highest number of references cited for a parent node is the ‘market and planning’ node which stood at 172 (38%) as shown in Table 7.2 above. Of which, the MO node accumulated 39 references (8.6%) of references of all nodes. Some references that provided some indications of the importance of MO are as follows:

According to the Ferrari Salesman: “Even they buy new car they will still come back to you. Because they want to add on something, they want to beautifying their cars. You see, my strategy group of customer is totally different from other groups of customers. Because we handle more on the premium class people. See once you are able to get the premium class people, the group of people that is premium, they will rather leave it to you, than go to other elsewhere. Because the first thing they think of you. That’s like every time whenever first thing, they always think of you. That’s where I always communicate with the staff”.

According to owner-manager ‘C’ (pilot study case): “But for the car industry, it is not so much of a differentiation between small SMEs or large MNCs, more of a focus on the consumers”.

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According to the Contented Shopkeeper: “If you want to protect your customers and do this business over a long period, you have to ensure that the product is good before ordering them for sale. Otherwise you will have too many products, and affect your brand and business. We do not carry every brand as we will harm ourselves if we do that. The issue lies with the product quality”.

The firm’s market orientation was not determined by using validated scale as employed in quantitative analysis because the goal here was to have an observed MO level to give an indication on whether MO could indeed be a true rival that warrants further investigation. The evaluation of the market orientation construct was performed qualitatively to arrive at an observed MO level using the five dimensions of the MO scale given by Narver and Slater (1990). The latter scale is preferred to MARKOR scale (Jaworski and Kohli, 1993) because the qualitative data collected were better suited to it. Each dimension would first be assessed using a rating of ‘high’, ‘medium’ or ‘low’ in consideration of all evidences. Please refer to Table 7.10 on the findings and how the assessment was carried out.

7.4.2 Strategy-as-practice perspective

It was initially challenging even to the point of frustrating when almost all respondents appeared inhibited from discussing about a formal strategy. It was as though a taboo topic as much as it was uncharacteristic for a research on this. A strategic plan seemed to be redundant. The author felt implicitly ridiculed as the interviews tended to the operational aspect of the business. In fact, it was a fearful experience for the author as he wondered if the assumption made to and applied in the concept of strategy was appropriate for this study!

The Duet Administrator had some references to long-term planning but implemented short-term plan primarily. Only one (the Ferrari Administrator) out of the nine respondents had a formal strategic plan albeit an informal one. As anticipated, this owner-manager was unwilling to share the details of his strategies other than to mention in-passing that service strategy was crucial. It appeared also that his belief in strategic thinking did not come intuitively. It was after much encouragement and counsel from his customers-cum-friends that he behaved differently both as an owner-manager as well as his outlook of life. He developed from a focus on operation to strategies. All these evolved along with his desire to be successful or at least to look successful. He
first became obsessed with making more money by working extremely hard. Of recent, he advocated a work-life balance culture in his firm.

According to the Ferrari Salesman: “…I used to drive COE car [that means old cars], and I served a lot of customers, and I find that these are people why they can change car, so young they drive so many flashy cars, and why I can’t. And because of customer tell me that, that’s why I realise, I jump out of there [that means not wanting to be operational but strategic so as to be successful and be able to drive flashy cars just like his young customers]”.

For the usually busy owner-managers, it could be impractical for a formal strategic plan to be formulated. Formulating a plan could be tedious when using the strategy content or process approach (Bourgeois, 1980). However, one reason given by all respondents for not having a strategic plan was that this was a ‘sunset’ industry. That implied a sense of routine or standardised practices with little room for variations. The other reason to the owner-managers was a more pragmatic one in that things had proven to work on a day-to-day basis without a precedence of long-term planning.

Even though the majority of the respondents appeared skeptical about the need for a strategic plan, this did not imply that these small firms did not have a strategy. Rather than trying to know exactly what their strategies were, it was of greater interest for this study to understand the concept of strategy to these owner-managers and how they undertake strategy. The subsequent findings showed how the strategy-as-practice perspective played an important part in this study.

**General analysis of plausible rival explanations**

By mean of a summary, Table 7.8 depicts the analysis of both the rivals using Yin’s (2014) classification of the two plausible rivals. In summary, MO was a rather weak rival whereas the strategy-as-practice perspective was found to be better suited to understand the strategy of the small firms.
Table 7.8 General analysis of plausible rivals (Yin, 2014, p.141)

<table>
<thead>
<tr>
<th>Type of Rival</th>
<th>Market orientation</th>
<th>Strategy-in-practice</th>
<th>Arguments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Null Hypothesis</td>
<td>Unlikely</td>
<td>Unlikely</td>
<td>Field evidence corroborate that it was not by chance.</td>
</tr>
<tr>
<td>2. Threats to Validity</td>
<td>Yes</td>
<td>Inconsequential</td>
<td>If so, MO should be included in the research framework.</td>
</tr>
<tr>
<td>3. Investigator Bias</td>
<td>Minimal</td>
<td>Minimal</td>
<td>Taken care of in the data collection design.</td>
</tr>
<tr>
<td>4. Direct Rival</td>
<td>A weak one.</td>
<td>A strong one.</td>
<td>Indications from field data.</td>
</tr>
<tr>
<td>6. Implementation Rival</td>
<td>Unlikely</td>
<td>Unlikely</td>
<td>The risk perception to planning response process is straightforward.</td>
</tr>
<tr>
<td>7. Rival Theory</td>
<td>Unlikely</td>
<td>Likely</td>
<td>From field data in context.</td>
</tr>
<tr>
<td>8. Super Rival</td>
<td>Unlikely</td>
<td>Unlikely</td>
<td>Unpredictable COE price level and linking to risk, planning was affirmed in all field data.</td>
</tr>
<tr>
<td>9. Societal Rival</td>
<td>Unlikely</td>
<td>Unlikely</td>
<td>The incredulous consistently high demand for cars cannot fully explain and account for the findings.</td>
</tr>
</tbody>
</table>

7.5 Within-case analyses

The within-case displays drew upon and verified the decision-making process of the owner-managers. More specifically, the displays showed how the owner-managers responded to environmental changes arising from their RP. More complete descriptions were needed to explain why the owner-managers implemented their plans the way they did (Miles and Huberman, 1994). The within-case analyses provided the basic but substantial material for the subsequent cross-case analyses outlined in section 7.6 below.

7.5.1 Descriptive story of each case study

In Table 7.10 below, details of the descriptive story for each case study and the analyses of the owner-managers’ RP, knowledge and competence, the firm’s EO and MO. The cause-effect dynamic between EO and RP of each owner-manager was mapped unto the Mazzarol and Reboud’s planning response typology, along with matching planning response. Figure 7.7 and Figure 7.8 below depict the evolutionary path of RP that was tracked longitudinally. The assessments of the key constructs completed in Table 7.10 were summarised in Table 7.9 below.
Table 7.9: Summary of within-case analyses

<table>
<thead>
<tr>
<th>Case</th>
<th>RP</th>
<th>EO</th>
<th>MO</th>
<th>Planning Response</th>
<th>Knowledge &amp; competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>L</td>
<td>M to H</td>
<td>H</td>
<td>Salesman</td>
<td>H</td>
</tr>
<tr>
<td>E</td>
<td>L</td>
<td>H</td>
<td>H</td>
<td>Shopkeeper to Administrator to CEO and then Salesman</td>
<td>H</td>
</tr>
<tr>
<td>F</td>
<td>L</td>
<td>L</td>
<td>M to L</td>
<td>Shopkeeper</td>
<td>M to L</td>
</tr>
<tr>
<td>G</td>
<td>H</td>
<td>L</td>
<td>L</td>
<td>Shopkeeper</td>
<td>L</td>
</tr>
<tr>
<td>H</td>
<td>M to H</td>
<td>M to L</td>
<td>M to H</td>
<td>Shopkeeper to Salesman</td>
<td>M to L</td>
</tr>
<tr>
<td>I</td>
<td>M to H</td>
<td>M</td>
<td>L to M</td>
<td>Salesman + Administrator</td>
<td>M to H</td>
</tr>
<tr>
<td>J</td>
<td>M</td>
<td>M to H</td>
<td>M to L</td>
<td>Salesman to Administrator</td>
<td>M to H</td>
</tr>
<tr>
<td>K</td>
<td>M</td>
<td>M</td>
<td>L to M</td>
<td>Salesman</td>
<td>M to H</td>
</tr>
<tr>
<td>L</td>
<td>L</td>
<td>H</td>
<td>M</td>
<td>Administrator</td>
<td>H</td>
</tr>
</tbody>
</table>
Here is the text converted into a markdown table:

<table>
<thead>
<tr>
<th>Case</th>
<th>Descriptive story</th>
<th>Analysis</th>
</tr>
</thead>
</table>
| Owner-Manager ‘D’ (Tech salesman) | This business employed 9 people and was primarily engaged with the maintenance, repair and programming of electronic control units (ECU) of mostly BMW and Mercedes-Benz cars. A family owned firm, it operated in two related businesses. The company saw itself as a specialist in this area, which required the use of computer systems to track and detect faults in car ECU and to re-program them if required. Not many firms (possibly 20) had this expertise in Singapore. The supervisor, Mr Lek was considered to be a key staff that could influence both the owner and his son (respondent of this case study) in both strategic and operational matters. | EO Measure: The owner-managers of this firm had a medium to low level of EO. While the owner was proactive in hiring more workers in anticipation of more business, there was no evidence of innovative product or processes that the firm had developed. While the firm was willing to take the risk in hiring more manpower and also invest in diagnostic tools occasionally, there was no indication of the firm moving into the industry as a first or fast mover to seize any opportunity, transitory or not. EO Questionnaire (Certo et al., 2009): Supported a medium level of EO. Overall, the owner-managers of this firm had a **medium to high level of EO**.  
Market Orientation Measure (Narver and Slater, 1990): Based on observation at the workshop, it appeared that the inter-functional coordination was high but low (to medium) in customer orientation and competition orientation. They were confident of sufficient (or growing) business going forward and were not too worried but competition. The fees the firm charged should be above average (the author has been patronising this firm for the last 3 years) and with the increasing number of workers, profitability was perceived to be high. With an eye for growing businesses and with more workers over time, there was a long term focus to a certain extent. **Overall MO was high**.  
Risk Perception Measure (Sitkin and Weingart, 1995): The Tech Salesman (firm ‘D’) perceived the risk in the environment to be low. Here are some illustrations. When asked about how firm ‘D’ was different from other similar firms (repair workshops but not necessarily competitors) that did not use technology tools to service cars, this was what the respondent had said: “in terms of survivability, can survive longer”. He was suggesting that his firm had sustainable competitive advantage or at least was more sustainable than the others. This showed that he perceived no significant risk or low risk as a whole. Moreover, according to the respondent: “At times if there are big changes such as in diagnostic tools, they (referring to car manufacturers) will really change big things (such as a new set of diagnostic tools or new software) but they don’t really tell us. We have friends from C&C who have information from Germany (referring to BMW and Mercedes-Benz). They are the main source of information and leak out information,…” |
<table>
<thead>
<tr>
<th>Case</th>
<th>Descriptive story</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-manager ‘D’ (Tech salesman)</td>
<td>While the Tech Salesman was clearly concerned about not having access to the new diagnostics tools that car manufacturers developed for the newer car models, any risk perceived thereof was mitigated by the availability of information (including software) leaked out by their contacts who were under the employment of the car manufacturers.</td>
<td><strong>Owner-manager knowledge and competence:</strong> High. While the older owner (respondent’s father) was rather traditional and relied on his old clientele for repeat business and market knowledge. It was probably insufficient due to the need to keep updated with the high-tech instrumentation. However, his 29-year old son could keep up with technology. Also, the firm maintained important network to keep their software updated. <strong>Planning Response:</strong> The planning response was of the ‘Salesman’ type. The availability of new diagnostic tools and software upgrade were two key concerns to the owners for without them (tools and software), the firm could not service those cars that incorporated complex computerised systems. Since the firm was not an authorised workshop, the car manufacturer or distributor would view the firm as a competitor in the workshop business. As such, the car manufacturer or distributor would not sell the car diagnostic tools or provide the software upgrade to the firm. Therefore, both concerns were legitimate ones that could seriously impair their car repair business. Relying on their business associates, the firm might then be able to get access to the needed diagnostic tool and software upgrade. As a whole, the owners should view the environment to be rather uncertain and risky. However, strategic thinking was evident in that the owner employed two more staff in anticipation of more businesses as a result of rising COE level. As the owner was a traditional Chinese businessman (The Tech Salesman: “My dad is the old fashioned type and...he does not like changes”) who had never been trained to plan formally and probably did not believe in formal planning, no formal planning was ever done.</td>
</tr>
<tr>
<td>Owner-manager ‘E’ (Ferrari Salesman)</td>
<td>The owner of the firm was the respondent for this case study. This owner started his career in carwash, then car grooming before moving on to car detailing, car workshop, car spare parts business, etc. He learned from his customers about the need to be strategic in order to grow. Being strategic meant that he can better manage his employees and provide other services (insurance, financing, car repair and maintenance, etc) that is, a one-stop shop. Since he had only about 10 years of formal education, he could not plan formally. As such he needed business consultant to help him plan his business at one stage.</td>
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</table>

**Analysis**

**EO Measure:** The Ferrari Salesman had shown a high degree of EO. He experimented with different ideas and came out with new lighting designs (floodlights) to improve upon the quality of the car detailing work. Also, he engaged an external Chemist consultant for R&D activities. As a result, he developed his own car shampoo besides other car care products. He proactively sought new opportunities to diversify from his core business in car detailing. For examples, he ventured into luxury car workshop business more than a year ago, and more recently, started a luxury car spare parts business. He was also carving out his own brand of products and processes (car grooming) that he had developed in-house. Eventually he would franchise these products and processes. Respondent’s related diversification strategy allowed him to offer a ‘one-stop’ service for his affluent customers. In the process of developing these related businesses, he took substantial risk whereby some of the endeavours actually failed.

**EO Questionnaire (Certo et al., 2009):** Supported a high level of EO.

**Overall, the Ferrari Salesman had a high level of EO** and as the firm progressively sought to venture into new grounds.
<table>
<thead>
<tr>
<th>Case</th>
<th>Descriptive story</th>
<th>Analysis</th>
</tr>
</thead>
</table>
| Owner-manager ‘E’ (Ferrari salesman) | The company employed 7 persons (10 including car washing staff) and was primarily providing car detailing services to luxury brand cars such as Ferrari, Lamborghini, Rolls-Royce, Lotus, etc. The charges for each detailing work were approximately in the range of S$600 to more than a thousand dollars. The target market was the wealthy individuals who became the owner’s close friends after patronising the company for many years (up to 19 years). These customer-friends would even allow the Ferrari Salesman to drive their expensive cars when they were out of town. | **Market Orientation Measure (Narver and Slater, 1990):** He strongly believed that implementing an excellent service strategy would make him very successful – either more market share or greater turnover. There was clearly long-term focus in his profitable businesses. His customers were already his friends. That's a strong indication that he knew his market segment very well. For what he was doing, such as expanding into workshop and spare parts, they were complimenting his business in car detailing. This again showed that he planned the longer term, customer minded (one-stop service) and enjoyed profits from his wealthy customers. The counter-argument - he did not seem to know his competitors or showed that he was interested in knowing them. His companies should be making large profits as a whole judging at the rate he was expanding his business (with his own capital), own luxury cars, houses and went lots of holidays. **Overall MO was high.**  
**Risk Perception Measure (Sitkin and Weingart, 1995):** By getting advice from his highly successful and affluent customers, the Ferrari Salesman viewed the environment with fewer uncertainties. This and his other EO traits appeared to moderate his risk perception of his entrepreneurial activities. The Ferrari salesman diversified his business so as to spread his risk. For example, the stability of the car wash business helped in cushioning his car detailing business during the 1998 financial crisis. Respondent: “Actually when I look at the business, all this while so confidently. People don’t go for grooming so frequently, but still go for car wash”. With that and the availability of information resource from his customers, he perceived the task environment to be rather certain and within his control.  
**Owner-manager knowledge and competence: High.** The respondent was smart enough to ride on the wisdom of his customer-friend network. Also, he had the support of his well-educated girlfriend. |
<table>
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<th>Case</th>
<th>Descriptive story</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-manager ‘E’ (Ferrari salesman)</td>
<td>More importantly, these customer-friends provided market information and advice on strategic matters to the owner. As part of the growth strategies, the owner was pursuing brand building (of his incremental innovations such as special lightings for detailing; utilising chemist to blend new car shampoo or detergents, etc.) and franchising (his grooming business) besides diversifying into workshops (since close to 2 years ago) and selling spare parts for luxury cars. The owner estimated that there were probably only 5 (including his company) in this industry segment. He spent an equal amount of time (40% each) for both strategic and operational matters. He used 20% of his time for tours, shopping, etc.</td>
<td><strong>Planning Response:</strong> Respondent’s planning response changed over time. In the beginning, he was fully involved in car washing and grooming together with his workers. At that point, planning was informal and dealt with operational issues. To him, there was probably nothing uncertain about the environment since his focus and locus of control was straightforward – by working hard in the workshop to be successful because his income would vary directly with his effort put in to groom the cars. As such, he was the ‘Shopkeeper’ in his planning response. Then, he adopted the ‘Administrator’ planning response. With the help of some external business consultants, he started to realise that his business environment was more complex than previously thought. It was no longer sufficient to just work hard in the present but he needed to plan for the future. Now planning was formalised. Consequently, his wealthy customers advised him to be &quot;a spectator&quot; – basically suggesting that he should be less operational and look at his business more strategically. Then the Ferrari Salesman started to consider environment factors in his business plans. He also realised he did not know a lot more things than he thought he knew. He was into the ‘CEO’ planning type. However, this planning type did not last very long as the consultants that helped him did not follow up with him in the implementation of the plans. He was utterly disappointed with formal planning and thought he could be more effective by planning in his mind (even intuitively), implementing his plan, correcting directions along the way – similar to what Mintzberg et al (2009) described as “muddling through” strategic management. By now he had a large network of affluent outsiders who became his reliable source of market information and he could trust them for their advice. His Engineer-trained girlfriend had started to help him more his operations and analysis. In consideration together with the unwavering support of his network, he became more certain of the environment which moderated his RP at the same time. He was not even concern about any threat that could come from his competitors. As such, he now adopted the ‘Salesman’ planning response.</td>
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| Owner-Manager ‘F’ (Contented Shopkeeper) | This was a company that dealt with the installation of car accessories such as audio, video and GPS systems. The shop was located in a non-populous area where there were only two other competitors within a 120-metre distance. Since the business started in this premises about 28 years ago, it was expected that the rental cost (thus, low operating costs) should be very low. Repeat and word-of-mouth recommendations formed the main bulk of their businesses. Therefore, the main concern of the owner-managers was how to provide quality services (also avoid low-quality product) and build relationship with customers. For that, it was important for the firm to be kept abreast with new or in-demand product and to maintain the core competencies of installing car accessories. | *EO Measure*: The owners had a low EO profile. The firm did not innovate, were not proactive in the industry and were contented within their comfort zone, albeit working 7 days a week. There was also no evidence of competitive aggressiveness as their focus of the business was on operational issues. The owners showed little risk-taking behaviour as they were not ready to increase headcount in view of rising COE prices.  
*EO Questionnaire (Certo et al., 2009)*: Supported a low level of EO. Overall, the owner-manager had a low level of EO.  
*Market Orientation Measure (Narver and Slater, 1990)*: The owner-managers were careful in maintaining loyal customers through good, ethical service. For example, they would test out new product first before recommending them to their customers. Thus, it could be considered as medium in terms of customer orientation. Inter-functional coordination should also be medium since the owner-managers had direct control over the operations. There did not seem to be a long-term focus in their business and likewise profitability was also low. They were no overly concerned about competition after all there were only a few competitors in the vicinity. Overall MO was slightly below medium.  
*Risk Perception Measure (Sitkin and Weingart, 1995)*: The Contented Shopkeeper: “Because in this industry, we follow the trend. We will offer the product that is currently popular in the market. For example, CCTV camera is currently popular. There will be many customers who ask about the product. When the hype dies down, we will change to another product type. There is nothing much to plan. We follow the trend.” The Contented Shopkeeper had been observing a fall in the willingness to pay for their accessories and was a concern to a certain extent. Still, this ‘Shopkeeper’ was not planning for the future. The firm’s confidence was to be a good follower of the industry. This suggested low risk perception of the task environment. |
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<td>Owner-Manager ‘F’ (Contented shopkeeper)</td>
<td>The target markets were typically low to mid-range cars that were more than 3 years old (i.e. after manufacturers’ warranties for in-built sound system had lapsed). Currently, there were 5 people in the company including her (respondent of this case study) and her husband. Other than the 2 owners, the other three were technicians. Integrity as their core value helped in stabilising HR issues. New hires (usually as replacement) were usually those recommended from their suppliers.</td>
<td><strong>Owner-manager knowledge and competence:</strong> Medium to low. In view of the firm’s relatively simple task environment, the owner-managers were sufficiently able to manage it. However, the firm might be over relying on the input from the suppliers. Suppliers might not be able to give an unbiased perspective since they are profit driven. While it is reasonable also to steer their direction based on customer’s input or demand, the owner-managers appeared to be ignorant of fast-changing technological and market developments. <strong>Planning Response:</strong> The firm adopted the ‘Shopkeeper’ planning response. To the owners, the firm dealt primarily with the two key activities in the workshop, i.e. recommendation of products to customers and installation of accessories. Both activities must be done well because a good front-end service helped in gaining more word-of-mouth customers. As such, the owners did not innovatively or creatively make new product to aggressively grow the business. In fact, there was no consideration or culture for breaking into new market spaces or to challenge competitors using any unconventional tactics. Their suppliers provided the owners with updates on new products or in-demand products and would also recommend potential candidates to the firm for employment. In somewhat passive manner, the firm would adopt whatever product that was currently popular. As a result, the owners did not feel uncertain about the environment. It was probable that the owners perceived the environmental risk to be low or inconsequential to their sustainability. Planning if done at all was informal and based on experience.</td>
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Owner-Manager ‘G’ (Perturbed Shopkeeper)

Owner-manager ‘G’, together with her husband, owned the firm. The business dealt with selling motorcycles, motor vehicle accessories and repairing of motor vehicles. It was founded in 1987 when they hired two Malaysian workers to assist in the operation. At the time of interview, there were no workers as both owners preferred a leisurely pace of business as they were into their twilight years, and business had not been good of late as she deemed the industry to be heading towards ‘sunset’. There were no similar firms in the vicinity.

Their main clientele were office workers, foreign workers who crossed the Causeway regularly and delivery dispatch riders who required the use of a motorcycle for their jobs. Their customers were loyal to the firm as the owners are transparent about quality of its offerings and the corresponding prices.

**EO Measure**: Risk propensity was low. The Perturbed Shopkeeper felt that there was little need to take risk. She believed in being sincere in her product offerings and moderated their prices to help her business survive. Pro-activeness was medium, as shown when she identified quality accessories that could be imported from Brazil for sale, an action not carried out by competitors. Innovativeness was low as the owner felt there was little room for innovation in this ‘sunset’ industry.

**EO Questionnaire (Certo et al., 2009)**: Supported a low level of EO.

Overall, the owner-manager exhibited a low level of EO.

**Market Orientation Measure (Narver and Slater, 1990)**: The Perturbed Shopkeeper was quite pessimistic about the future and commented that “now business is bad”. That indicated that both the profitability and long-term focus should be low. It was just a two-person show and thereby inter-functional coordination would be assessed as medium (a neutral position). It was also low for competition orientation as they struggled to make ends meet. Their purpose in operating the business appeared to be just to pass time in their retiring years now. However, they were careful to charge reasonable costs to their customers and could also develop their pool of loyal customers through providing good service. **Overall MO was low**.

**Risk Perception Measure (Sitkin and Weingart, 1995)**: The Perturbed Shopkeeper commented, “Nothing is certain, it is quite unstable now! The government is trying to change its policies all the time, but more so at present.” suggested that she perceived a high degree of risk. She also cited reasons such as the government’s aggressive push for more people to take public transport and the upward trend of COE prices. This suggested **high risk perception of the task environment**, coupled with rising overheads such as the increasing cost of rent. She believed in securing her own stream of regular customers, as seen from her comment, “My firm only deals with the Singapore market…so there is no need for risky alternatives. I don’t bring in much from abroad. I don’t venture much.”
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| **Owner-manager ‘G’ (Perturbed Shopkeeper)** | Owner-manager ‘G’ focused on day-to-day operations as the firm struggled to survive. Nevertheless, she had ventured to source for parts from more exotic destinations like Brazil as products there were known for their high quality. She believed government policies, even though affected her business, were fair and there were sound rationales behind these policies. | **Owner-manager knowledge and competence: Low.** There was little evidence of the firm’s ability to deal with the task environment. On the other hand, they seemed to adapt a ‘hope for the best’ attitude and tried to survive on a daily basis.  

**Planning response:** Planning appeared unstructured and informal as she focused on fine-tuning her business to survive in this ‘sunset’ industry on a day-to-day basis.  
Formerly, when the owners first started out, they had to manage the firm and take charge of the workers they hired. They also delegated work accordingly as they set aside time to look after their children at their store. Sales were also better, and they offered a larger variety of product offerings. The owners adopted the ‘Shopkeeper’ planning response. |
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<td>Owner-Manager ‘H’ (Transition Salesman)</td>
<td>The owner of the firm, owner-manager ‘H’ was the respondent for this case study. He was one of the two owners of the firm, and he was mainly in charge of the day to day operations while his partner was in charge of financial matters. Employee numbers varied over the years and it was dependent on the prevailing economic situation. At the time of interview, there were three workers, and owner-manager ‘H’ had the intention of adding more should the firm expand in the future into the premium customer category.</td>
<td><strong>EO Measure:</strong> The Transition Salesman was thinking of going into the R&amp;D activities but could not because he felt that he was not getting enough business. Looked like he could not take the risk of reducing one staff to do R&amp;D or employing another staff. Managed risk through collective agreement or consensus planning. He was also careful not to be involved in overseas suppliers due to his fear of having the difficulties in ascertaining that the imported products are of good quality. Thus, risk propensity was medium. Owner-manager ‘H’ agreed that, “if the financial backing is available and the prospects are high, despite the risks present, I will still go ahead with new projects even if I may incur losses in the initial years.” Pro-activeness was medium, as the owner had shown willingness to move in new customer segments and had actually prepared plans to do so. There was no evidence of innovative product or processes that the firm had developed. <strong>EO Questionnaire (Certo et al., 2009):</strong> Supported a medium to low level of EO. Overall, the owner-manager had a <strong>medium to low level of EO.</strong></td>
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<td><strong>Owner-Manager ‘H’ (Transition Salesman)</strong></td>
<td>The firm mainly provided audio, car accessories and air-conditioning services for car owners. For regular customers, they also provided basic car repair services. The target market was Japanese car models that were around three to five years old. There were many firms that provided similar services in Singapore. Around the area where the shop was located, there were only about three similar firms. As part of the adaptation strategies, owner-manager ‘H’ constantly relied upon the internet to obtain new information and source for new products to sell to his customers. Although he mainly relied on local suppliers presently, he had the intention of looking abroad in the future to diversify his product offerings.</td>
<td><strong>Market Orientation Measure (Narver and Slater, 1990):</strong> There were indications that the firm was observing the market trend and did consider new product introduction or increase product scope. They even took the initiatives to SMS customers about their new services. To a certain extent, it could be interpreted as customer oriented. However, planning to them is: “<em>day to day, operational planning</em>”. They felt that, “<em>things are starting to slow down ....everyday our business is unpredictable</em>”. Inter-functional coordination appeared to be simple but effective as even though they had three persons, one is essentially a sleeping partner: “<em>Yes, the shop is run by me and my worker. The other partner will not interfere so much because we are the ones that are stationed here and we know what the customer wants. So, he says two of you will go ahead</em>”. Overall MO is medium to high.</td>
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<td><strong>Risk Perception Measure (Sitkin and Weingart, 1995):</strong> The Transition Salesman perceived the risk in the environment to be medium to high. Here are some illustrations. When asked how the rising COE prices affect his firm, owner-manager ‘H’ stated that, “<em>because people now prefer to buy continental cars and we cannot change the accessories in such cars without lots of tools; car owners are less likely to come to us to upgrade their accessories</em>”. This illustrated the difficulties he experienced when uptake of his main customer base of Japanese cars was low. Nevertheless, he felt that this was mitigated by the rise in second hand cars which had provided more businesses for him in the past one year.</td>
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| Owner-Manager ‘H’ (Transition Salesman) | In the short run, the Transition Salesman planned to focus on owners of Japanese models and to improve the efficiencies of his current services. However, as part of his growth strategies, he planned to switch to the premium customer category in the long run after he had figured out how to manage the complex systems used in premium car models. | **Owner-manager knowledge and competence**: Medium to low. The sluggishness to adapt to the market and grow showed signs of incompetence. While this could be due to a higher level of perceived risk or lack of capital, it could also be that the firm was not confident enough to deal with the task environment. For example, the respondent commented that he had to know how to manage the complex systems used in the premium cars before getting into the premium car segment. This sounded reasonable at first. However, most respondents felt that the car industry is a simple one. Both the Tech Salesman and the Ferrari Salesman could repair high-tech cars using commercially available instrumentation. So, logically the Transition Salesman could do the same. Therefore, this could imply lack of competence on the part of this firm.  

**Planning Response**: The planning response of the Transition Salesman appeared to be undergoing a transition phase. In the past years he mainly dealt primarily with the two key activities in the workshop, i.e. recommendation of products to customers and installation of accessories. Both activities must be done well to gain word-of-mouth recommendations, which was crucial given the proliferation of similar firms in Singapore. However, with the ever rising COE prices and the complexities of the external environment, owner-manager ‘H’ had started to realise the need to plan for the future. The Transition Salesman said, “Recently, I have new ideas which I want to try. Once I have the funding and manpower, I will start going overseas to source for new things.”  

Now planning was formalised in the sense that he had started exploring ways to import from overseas, to tie up with other workshops to break into the premium customer base. He realised that the only way to grow and to expand was to diversify his services and he then started to offer car repair services. On the constant lookout for new funding opportunities, the Transition Salesman had the intention to embark on more risky ventures in the coming years. This signified a transition into a type of planning with a more structured operational strategy being formulated. The owner-managers adopted the ‘shopkeeper’ planning response for a large part of the time but had recently moved to the ‘salesman’ type. |
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<td>Owner-Manager ‘I’ (Duet Administrator)</td>
<td>The Duet Administrator was one of the two owners of the firm, which buy and sell both new and used cars. The firm also specialised in auto-finance, being a finance agent with banks, and assisting consumers with hire purchase loans. It was a family-owned business for over 30 years, with owner-manager ‘I’ taking over in 2000. The number of employees ranges from 5 to 10. At the time of interview, there were 6 employees (inclusive of owner-managers). Duet Administrator handled the sales and business development aspect of the business, while his partner managed the operations. There were a number of competing firms around the area, and several more at the Ubi area, which he felt was rather close to his location at Upper Serangoon Road. However, he believed that location did not play a part in car sales. He mentioned that his firm was in a ‘sunset’ industry, and thus the firm was entrenched in the traditional ways of doing things.</td>
<td><strong>EO Measure:</strong> Little risk-taking behaviour was witnessed in the company, judging from the comment, “you don’t want to be too brilliant for your own good as well, if you are way ahead of the market, you end up failing.” The owner also disagreed on having the tendency to adopt high risk projects. Pro-activeness was evident in the firm, as the owner would speak to dealers, distributors and friends to gather information about the industry. The firm did its own forecasting of the COE prices. In addition, the firm also took the decision to shift its focus to used cars in light of the high COE prices, which was also a form of risk-averse behaviour. He seemed reluctant to innovate, due to his belief that his firm was “more or less a sunset industry”, and “it is still very entrenched in the old ways of doing things”. However, he believed that there were many areas in which the industry could be improved. <strong>EO Questionnaire (Certo et al., 2009):</strong> Support medium level of EO. Overall, the owner-manager had a medium level of EO. <strong>Market Orientation Measure (Narver and Slater, 1990):</strong> The owner-managers understood their market segment well and implemented appropriate sales strategy. To a certain extent, he was careful in dealing with his competitors and refrained from making ‘enemies’ out of them. As such, he appeared to know his competitors. He did not think that it was necessary to plan long term. Nonetheless, he seemed to be very knowledgeable of the market and the industry. As a whole, the MO level was low to medium. <strong>Risk Perception Measure (Sitkin and Weingart, 1995):</strong> The owner-manager had a medium to high risk perception. The Duet Administrator agreed that the industry was “very complex, and there is a lot of uncertainty”, which showed high risk perception. However, he added that the industry “requires you more or less to move with the flow, where people are going now”, which showed that he felt risk could be managed by being a follower in the industry. Respondent felt that in this industry (stage of industry life cycle), it is too risky to be the first mover. When asked if he would be able to handle the changes in the industry effectively, he believed that “it is out of our hands. Just be on our toes”, which again was an indication of high risk perception.</td>
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| **Owner-Manager ‘I’ (Duet Administrator)** | Due to the rise in COE prices, owner-manager ‘I’ was shifting his focus to the used car market. He expected COE prices to be lower in 2016, then, it would be appropriate to focus on new cars. The choice of cars they brought in was also affected by the fluctuation in currencies. With a strong Yen currency, Japanese cars became more expensive, as compared to European cars due to the weakening Euro dollars. | **Owner-manager knowledge and competence:** Medium to high. Throughout the interview, respondent had shown a great deal of knowledge of the industry, market and the dynamics of the industry including the COE bidding system. He commented the buyer’s attitude as ‘bochup’ which means a care-less attitude in the Hokkien dialect. This attitude reflected buyers’ price insensitivity. Author concurred based on his life experiences in Singapore. A huge amount of the transcription data (75%) were about how the industry works and market behaviour. However, he showed lack of confidence in dealing with environmental changes.  

**Planning Response:** Even though he suggested that the firm adopted a day-to-day management approach, there was evidence of strategic planning. For example, the owner would carry out forecasting of future COE prices to determine its focus on new cars or used cars. He also kept an eye on the fluctuation in currencies and brought in cars from countries which were of interest to consumers, due to the weakening of the currencies. As owner-manager ‘I’ was involved in business development and relationship building with banks, it could be seen that he aimed to expand his own market and developed strategic alliances with key stakeholders for the firm. Although the firm did not do structured planning, as owner-manager ‘I’ shared that “it’s no point planning a year in advance”, intuitive strategic planning was still carried out informally, as seen in the comment, “Our direction is to obviously look towards new cars again then, in 2016, but then again this is in our heads we are not doing anything about it yet”. The firm was unique as it had two owners focusing on different aspects of the business. Owner-manager ‘I’ shared that he managed the strategic aspect of the ‘Salesman’, while his partner oversaw operation (‘Administrator’). That suggested **two strategic managerial types were at work simultaneously.** |
**Owner-Manager ‘J’ (Network Administrator)**

The Network Administrator was the senior sales manager of Autopoint Motoring located at Ubi Avenue 3. This business dealt with sales and supply of new continental cars. He had 2 businesses, the other being IV-Shine Car Spa at nearby Ubi Road 3. He had been working for 23 years, and 10 years with Autopoint. The Ubi precinct was well-known as an auto-hub but there was minimal competition as only a few firms in the vicinity dealt with parallel imports (similar to them).

The business employed 8 staff of which 3, including the owner, were in the senior management team. Each staff had a specific role. Decision making was controlled by the owner who guided the firm’s overall strategy such as deciding which markets to venture into, although staff’s inputs were also considered. The firm adapted with the times and went on to focus on sales for continental cars ever since Japanese models were not doing well in the market. The firm has great visibility in the form of internet and newspaper advertisements, and relied heavily on referrals.

**EO Measure**: Risk propensity was high. The owner adapted well to market changes and “use our own judgment to bring in the models that we can sell”, without the need to test in small batches. Pro-activeness was high as the company often supplied cars to neighbouring shops whose customers requested for such models, showing the first-mover advantage that Autopoint held. This was evident by the quote, “We are now studying on diesel cars. Hybrid too, depends on demand. Diesel should be moving faster.” The Network Administrator actively searched for new market gaps and was confident that as a parallel importer, the new models could be brought in faster than the main agents, thereby enjoying lead time over them. There was little evidence of innovation in the company.

**EO Questionnaire (Certo et al., 2009)**: Support a high EO.

Overall, the owner-manager had a medium to high level of EO.

**Market Orientation Measure (Narver and Slater, 1990)**: The respondent understood that word-of-mouth was effective and important to their firm. With the objective to provide good after-sales service, the firm partnered ComfortDelGro, an established government-related firm. This was strategic in the sense that potential buyers should view this positively (this is assessed relative to the commonly accessible small unreliable workshops). The firm was also ethical and transparent in their dealings with customers. These suggest that the firm could be customer-oriented. **Overall assessment of MO is medium to low.**
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<td>Owner-Manager ‘J’ (Network Administrator)</td>
<td>Owner-manager ‘J’ had planned ahead for the future and was poised to enter the diesel/hybrid car market in the following few years, after conducting market research. He believed direct selling was getting harder and thus was surveying a new niche for his company.</td>
<td><strong>Risk Perception Measure (Sitkin and Weingart, 1995):</strong> The Network Administrator had a medium level of risk perception. He developed his own style of branding, without the aid of outside consultants, and despite his shop’s lack of visibility, advertisements on the internet, newspapers and referrals guaranteed him a steady stream of customers. What he found risky, though, was that the government often &quot;tries to confuse customers&quot;. This meant it was &quot;harder to do sales, but we also have to do&quot;. Yet, his extensive 23 years of experience meant he had a clear picture of the situation and knew how to read between the lines of government policies, and explained to customers accordingly.</td>
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<td><strong>Owner-manager knowledge and competence: Medium to high.</strong> The Network Administrator was careful about conducting field research before implementing his plan. The firm understood the importance of finding a niche and ensuring that they would be ready for it. Their ability to switch product when needed shows they are sufficiently able to cope with the task environment.</td>
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<td><strong>Planning Response:</strong> Planning was seen to be informal as no concrete sales targets were given to his sales team, his rationale being &quot;we are not agents&quot;. Planning was strategic with a focus on business development, evident by his plans to bring in upcoming diesel and hybrid models as part of his firm’s long-term strategy. Intuitive planning was seen when the Network Administrator commented, &quot;plus or minus to get a rough amount&quot; of the COE prices, implying without in-depth analysis of LTA’s data. At this juncture, the planning type was the ‘Salesman’.</td>
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<td>There suggested a gradual shift towards the top-down planning response, as each staff was given a fixed role to play in the company (accounts, sales, management, etc.) and decision-making being solely under the charge of the owner. This became more evident as new product lines (e.g., diesel, hybrid cars) were rolled out with the company shifting towards divisional rather than functional organisation structure. The firm had responded from the ‘Salesman’ to the ‘Administrator’ planning type.</td>
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### Case: Owner-Manager ‘K’ (Ethnic Salesman)

The manager of the firm, owner-manager ‘K’ was the respondent for this case study. This business employed 5 people and was primarily engaged with buying and selling of used cars, with focus on continental cars. Nevertheless, the firm had always been heavily involved in Japanese cars over the years. The firm earned a commission from arranging car loans but this formed a smaller portion of the revenue stream. This firm had been around for 12 years and the Ethnic Salesman had been working there for 6 years. The owner of the firm mainly provided the funding for the firm and both strategic and operational matters were left to the Ethnic Salesman. Discussions on such matters were usually done through meetings with a consensus being sought before progressing.

With the firm located in the Woodlands area, the target market was the wealthy Malay customers who tended to form most of the sales. This premium group of customers ensures that sales level did not fall off by much during recessionary periods.

**EO Measure**: Risk propensity was medium, as according to owner-manager ‘K’, “*we do things in a very straightforward manner; although we do plan for certain things but we do not try our luck too much*”. Innovation was medium. While the manager did have plans to venture into the new and parallel car markets, there was no evidence of innovative sales strategies. Pro-activeness was medium. While the firm was constantly on the lookout for new market demands and switched from Japanese to Continental cars, there was no indication of it being a first mover to seize any opportunity, transitory or not, but rather just being a follower. Similarly, there were many car dealers dealing in all the three segments of cars and for owner-manager ‘H’, it was merely just adapting to the industry norm.

**EO Questionnaire (Certo et al., 2009)**: Support a medium level of EO. Overall, the owner-managers of this firm had a medium level of EO.

**Market Orientation Measure (Narver and Slater, 1990)**: There appeared to have knowledge of his competitors, at least those that were rather friendly to the respondent by being willing to discuss about business strategies. The firm was also customer oriented in some ways: “Like PM Motoring, they have a good idea. They go around the food court during lunch time to give out pamphlets and chat with buyers.” In context, this initiative is uncommon in this industry. Other than that, there other aspects of MO appeared to be low. As a whole, it would be low to medium in MO.
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<td>Owner-Manager ‘K’ (Ethnic Salesman)</td>
<td>There were many firms that provided such services in Singapore. At the Woodlands car mart alone, there were 2 blocks of car dealers in the areas where firm ‘K’ was located. However, the Ethnic Salesman was on friendly terms with the other car dealers and they tended to share information with each other and also referred customers to one another occasionally. Newspaper advertisements and online listings formed the main bulk of their businesses. Sometimes, there were referrals from regular customers and also organisations. The main concern was how to provide quality services and to build relationship with customers. The company frequently studied other firms’ sales strategies and adapted them accordingly for their own use. However, he did not take initiative in bringing in new car models and preferred a wait-and-see approach.</td>
<td><em>Risk Perception Measure (Sitkin and Weingart, 1995):</em> Owner-manager ‘K’ perceived the risk in the environment to be medium. He believed that in every industry, there was a certain level of inherent risk involved, and to him, “since we focus on used cars, we are also taking a gamble, a risk in order to gain”. He tried to build good relations with his customers and this ensured that there would still be marginal profits to be earned even in bad times. He viewed the environment to be unstable and uncertain and this was due to the changing governmental regulations every now and then. Other than that, his business motto was “whatever you want to do, don’t get caught”. However, to him, “it is better to do something you are familiar in” and this was probably why he did not want to bring in new models ahead of others. Rather, he preferred to let others take the lead and figured out the market first.</td>
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<td><strong>Owner-manager knowledge and competence:</strong> Medium to high. This is justifiable as seen with the firm’s ability to switch product line with ease when there was a need to due to market changes.</td>
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<td>Case</td>
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| Owner-Manager ‘K’ (Ethnic Salesman) | To further diversify the business and to mitigate the variations in COE prices, the company had plans to move into the new cars and parallel car segments. This was in line with the company’s aim of exploring new revenue streams and to deal with uncertainty as had been exemplified by the shift from Japanese cars to continental cars over the past years. | **Planning Response**: The planning response of firm ‘K’ of the Ethnic Salesman appeared to be relatively constant over the years. All this while, he mainly dealt with the two key activities in the firm (i.e. buying and selling of used cars). Both activities had done well over the years which have accordingly to him, let to more referrals and also a stable profit margin even in bad times. 

To deal with the volatile COE prices and the ever changing governmental regulations, the Ethnic Salesman had always adapted his strategies accordingly. From moving into Continental cars when his initial business of Japanese cars was slumping, to branching out into earning commissions from facilitating car loans, the Ethnic Salesman had shown to be able to follow the market needs and the actions of bigger player well.

Planning was formalised in the sense that once he had realised that what others were doing was feasible; he would race right into it. The resilience of dealers who dealt in new, used, and parallel car dealers had also convinced him of the need to diversify into all three segments and not just used cars alone. |
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<th>Case</th>
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<td>Owner-Manager ‘L’ (Bosses’ Administrator)</td>
<td>Owner-manager ‘L’ was the owner of several companies in the motor vehicle industry. His companies were located at three locations - Woodlands, Commonwealth, and Tai Seng. The interview was conducted in his Tai Seng office, which housed four different companies. All 4 companies served customers by selling cars from a central pool. There were 20 employees located in the Tai Seng office. He was the main investor in the starting up of these companies, whereby he would engage one partner to oversee each company on a 50-50 profit sharing basis. The partner managed any employee they wished to hire and was responsible for their salary. The Bosses’ Administrator covered the rental costs and the cost of bringing in new cars.</td>
<td><strong>EO Measure:</strong> The Bosses’ Administrator had a high tendency to take risk, in the form of bringing in cars with high profit margins, as could been seen from, “<em>If the profit margin is high, it can be bought</em>” and “<em>You have to test. It is not impossible not to buy this and that</em>”. Level of pro-activeness was medium. He tended to have a “follower” mentality and did not want to take leadership in the market. This was supported by “<em>Usually we follow one another</em>” and “<em>it will be better to be a follower. Being the leader in the industry is risky</em>”. Innovativeness was medium. He felt that the industry was rather straightforward and “dead”. According to him, a car was “<em>4 tires and a steering wheel</em>”. There was nothing much to change. There was no way to change it to “<em>8 tires and 2 steering wheels</em>”. However, he was open to innovation in operations, as seen from his strategy of profit-sharing with partners, and selling the same pool of cars using different company names. <strong>EO Questionnaire (Certo et al., 2009):</strong> Support a high level of EO. Overall, the owner-manager had a <strong>medium to high level of EO</strong>.</td>
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| **Owner-Manager ‘L’ (Bosses’ Administrator)** | He described his business as hiring ‘bosses’ to run their own companies. Every day, he would travel to all his companies to monitor their progress, as well as to collect the profits whenever a sale contract was made. He adopted this strategy of profit sharing as he preferred to liaise with his partners, instead of fretting over employee issues. He also believed that this strategy allowed him to generate more profits, and covered a larger portion of the market.  

The Bosses’ Administrator revealed that they were the only dealer in the Tai Seng area. His companies traded new and used cars of all types. Their customers were mainly obtained through the website SGCarMart, newspapers, and referrals from other customers. He did not feel that the changes in COE prices would have a huge impact on his businesses, as he believed that his years of experience would allow him to handle these changes effectively. | **Market Orientation Measure (Narver and Slater, 1990):** The Bosses’ Administrator was creative in its ‘investment holding’ business model. By this, he could serve more customers through ‘hiring of bosses’ to run each company. He focus was money making and perhaps long term perspective as well. He appeared to coordinate well with other ‘bosses’ as he advocated teamwork. **Overall assessment is medium level.**  

**Risk Perception Measure (Sitkin and Weingart, 1995):** The Bosses’ Administrator had a **low level of risk perception.** He did that the industry was simple and straightforward. He did not feel that the fluctuation in COE prices is risky, as long as the COE “does not fall from S$90000 to S$2”. When told that other interviewees believed that the industry was complex, he disagreed, saying “They are the confused ones. They do not know how to be firm.” and “It comes with experience and knowing people. Others mentioned that the industry is complex? How is it complex?” He felt that with 18 years of experience in the industry, he had witnessed the uncertainty in the COE prices, and thus was used to the fluctuation. Since people would continue to buy cars despite the COE prices, his business would not be affected much. He was also confident to managing required changes effectively in the shortest possible time.  

**Owner-manager knowledge and competence: High.** The Bosses’ Administrator routinely surfed the web for information and was active in boundary-spanning activities. Also, with 18 years of experience, he believed he was poised to deal with any changes in the industry. |
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<td>Owner-Manager ‘L’ (Bosses’ Administrator)</td>
<td>Being a member of automobile associations of Singapore, he received fortnightly updates on the latest COE prices, which kept him updated of the latest developments. His companies were also involved in car financing and loans. With the introduction of the ‘Lemon Law’ in Singapore, he would recommend his customers to other businesses who dealt with warranty issues, something he considered a hassle and did not want to be involved in.</td>
<td><strong>Planning Response:</strong> The owner-manager appeared to utilise structured planning by having a number of companies with different names, which allowed him to expand and covered a larger portion of the market. As his sales strategy illustrated a clear sign of structured planning to grow his business. Since he believed that “there is no need to write these down”, his form of structured planning was informal. Interestingly, he commented, “The traditional method (means strategy of other similar firms) is dead. My strategy is more lively”. As he gained more experience in the industry, his perception of task environment shifted from high to low. He believed that “there is no way to (plan ahead)”, as “the industry is always changing”, which signified day-to-day operational planning. He also made frequent trips to all his companies to ensure that things were running smoothly. He was careful to monitor market changes. These showed the overall firm was rather organic and the coordination among companies was good. He advocated ‘teamwork’ for his entire organisation. His intuitive planning style is more operational rather than strategic. He needed to make rapid decisions due to the overwhelming effort needed to respond to the 20 persons under him. This might make him susceptible to errors when decisions had to be made hastily. This indicated that he was practising the ‘Administrator’ but should be moving towards the ‘CEO’ (as indicated with an arrow in <strong>Figure 7.8</strong>) as he expands his businesses and realise his ‘lively strategy’. He commented that he would expand his business only and only if he could find the right ‘partner’. His organisational configuration is a hybrid of adhocracy (in dealing with the companies run by hired ‘bosses’) and simple structure (within each company).</td>
</tr>
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7.5.2 Mapping unto the Mazzarol and Reboud’s (2009) typology

**Figure 7.7** below shows three firms that had made changes to their planning response over time. A general observation was that these firms were more progressive in their business outlook. Also noted were that the Ferrari Salesman and the Network Administrator had higher EO as compared to the Transition Salesman, and their respective risk perceptions were vice versa. As shown in **Figure 7.8** below, even though the Tech Salesman had rather high EO, it did not make the firm more progressive and it persistently stayed on as the ‘Salesman’. While the Network Administrator took steps to move to the ‘Administrator’ to mitigate the high risk perceived, the Perturbed Shopkeeper was possibly regressive to stay put as the ‘Shopkeeper’ even though their RP was even higher.

![Figure 7.7: Mapping of planning response (A)](image)

During the stages, cells ‘1’ and ‘3’, owner-manager did not exhibit entrepreneurial behaviour as clearly because he was still rather operationally active. He was also at that time learning from his customers and was learning how to be more strategic. So, at cell ‘4’, he had already engaged a business consultant to help out in formulation of strategic plan. At stages, cells ‘4’ and ‘2’, he could sense more about what he did not know
previously. He began to understand that formal education was crucial for a businessman and ‘gut’ itself was inadequate. His perceived risk was low even though what were at stake was high. It appeared that his increasing competence, support from his network and girlfriend helped to moderate his risk perception.

The Transition Salesman started the company about three years ago. However, the owner-managers were highly experienced and knew the trade very well. Even though they started as the ‘Shopkeeper’, their competence quickly accelerated them to be in the ‘Salesman’ stage. The EO was likely to be rather similar over the three years of operation.

The shift from cell ‘2’ to ‘3’ was likely to be due to the Network Administrator’s strategic alliance with a post-sales service provider. The latter is a government owned entity and was rather reputed to have high competence in all after-sales issues relating to the motor vehicle technical problems. That could explain how they had viewed the task environment to be less uncertain. The firm seemed unease in coping with the Regulatory changes and thus moving to a more complex organisational configuration to deal with it.

The dual managerial styles as suggested for the Duet Administrator were because of the distinct segregation of roles between the two owner-managers. One owner-manager was responsible for the operation while the other focused on business strategy. Having been in the business for close to three decades, they were presumably able to deal with the task environment. However, the respondent was very careful not to take risk for fear of failure.

The Bosses’ Administrator had a rather complex business model for a small firm. On one hand, he managed companies whose owner-managers he termed as ‘bosses’. The latter were specially selected to own up to 50% of these companies. On the other hand, due to his 50% ownership in each of these companies, he was expected to be concerned with how these companies were managed. That could explain why he had to visit each company everyday purportedly for the purpose of checking on sales and monies issue. Now, the Bosses’ Administrator appeared to be rather stretched administratively. It is conceivable that he would be better off to be in cell ‘4’ (shown as dotted arrow in Figure 7.8) by formally planning forward for longer term benefits.

The Contented Shopkeeper was rather happy to be where they were. In their views, things were under control and there was no need to move beyond their status quo stage.
The Perturbed Shopkeeper was simply roughing out each day as it came. They were not overly concerned with the volatility of the task environment. Simply believing that by an honest and friendly approach, they will survive for another day.

The Ethnic Salesman was competent but chose not to move beyond its current comfort zone. The Tech Salesman had sufficient experience to move towards the ‘CEO’ style if the respondent’s father were not to be influential in decision-making.

![Figure 7.8: Mapping of planning response (B)](image)

**7.5.3 Mapping unto the cruciform charts**

First the mapping procedure was briefly outlined before unfolding the findings relating to the key constructs under study. The mapping procedure is now described as follows. Each axis of the 2-by-2 matrix was arbitrarily apportioned into three parts covering a width of one-third of the axis, whereby one part represents each rating of low, medium and high. A few examples are given below on how to mark off on the matrix when given a specific set of ratings of each axis.

*Figure 7.9* below is used for illustration purposes. When it is a rating of ‘low to medium’, the location of the point on the axis would be at the higher end of the ‘low’
(nearer to the medium band). On the other hand, if it is a ‘medium to low’ rating, it should be marked off at the lower part of medium, nearby to the low rating band. Case ‘P’ was placed as marked based on a rating of ‘low’ for construct ‘Y’ and a ‘low to medium’ for construct ‘X’. As for the current position of case ‘Q’, the corresponding ratings for construct ‘Y’ and construct ‘X’ would be ‘low to medium’ and ‘medium to high’ respectively.

**Figure 7.9: Mapping Example**

![Mapping Example Diagram]

**RP versus EO map:**

There appeared to be a linear but inversed relationship between perceived risk and the EO of the owner-manager. The dotted arrow reflected in **Figure 7.10** shows this correlation, acknowledging that case ‘F’ (the Contented Shopkeeper) as a possible outlier. This gave an indication that the findings were on the right track in answering research question, RQ6 in the next chapter. The Ferrari Salesman and the Bosses’ Administrator were top in terms of their level of innovativeness in terms of product development and business model development respectively. Both these companies appeared to be more successful than all the rest.
The Contented Shopkeeper displayed a high degree of confidence mainly due to their years of experience operating in their environment. The owner-managers were self-assured that their ethical business approaches both within (employee management) and without the firm (suppliers’ relationship) would at least keep them in business. Also, where the firm was located, there were only a few competitors whereby the level of competition was rather muted. This was because they were the only such service/product providers in that vicinity. For convenience, any potential buyer would have to settle at this place as the next available firm for such product offering was located a long way from here. Both owner-managers were contented with what they had been achieving. There was no need to think about expansion, innovation or any growth initiative for any foreseeable future.

**Figure 7.10: Risk perception versus entrepreneurial orientation**

![Risk perception versus entrepreneurial orientation](image)

**RP versus MO map:**

The findings in **Figure 7.11** could not suggest any correlation between the perceived risk and the market orientation. The observed low market orientation suggests that their strategic planning tended not to be driven by customer and competitor intelligence (Baker and Sinkula, 2009, p.443). However, based on the data, all the firms were not
too concerned about competitor intelligence and using such information for planning purposes. All these owner-managers appeared to have a different perspective of competition and competitors.

Instead of focusing on ‘beating’ the competitors and taking away market share, they looked at how to win the next customer, and how to provide good service to establish a strong and loyal customer base. Especially for the small car dealers, they believed that while they compete, they need to collaborate in this highly regulated industry segment. Therefore, it was common for the competing players to network and share with each other about any information with regards to their assessment of the implications of LTA policies. There was a sense that to survive, collaboration was perhaps more important than competition. One observation that the author made on his field visits was that there appeared to be a camaraderie spirit among the car dealers.

Case ‘L’ was one illustration of how different ‘bosses’ of their respective firms observed teamwork even though these firms compete in some ways. This form of collaborative behaviour was asserted by the owner-manager the Bosses’ Administrator. Also as shown in Table 7.4 above, collaborative input were essential for decision-making. However, this form of input was seen as important for a collective cause to at least survive in this matured industry. There was no evidence that competitive intelligence were done in this study. It was therefore not surprising that there was not a direct correlation between risk perception and market orientation using Figure 7.11 below as a yardstick. This suggests that the market orientation as a rival to moderate the risk perception was a weak one.

**RP versus knowledge & competence map:**

There appeared to be a linear but inversed relationship between perceived risk and the knowledge and competence of owner-manager to deal with the task environment. The dotted arrow reflected in Figure 7.12 shows this correlation, acknowledging that case ‘F’ (the Contented Shopkeeper) as a possible outlier. An interesting observation was that none of the owner-manager was a University or College graduate. Therefore, the competence of the Bosses’ Administrator, Tech and Ferrari Salesmen were not due to a formal education. Each of them had their own impetus to increase knowledge and their competence.

The Bosses’ Administrator proclaimed that “the traditional strategy is dead” and he created his own business model whereby he could be successful without even needing
to sell a single car on his own. The Ferrari Salesman earned more and worked less now ever since he took heed of his customers’ advice to be more strategic rather than wholly embroiled in operations. The Tech Salesman understood the need to keep abreast of technology.

Both the Tech Salesman and the Bosses’ Administrator acknowledged the vast unpredictability of the task environment. The Ferrari Salesman acknowledged the importance of formal education after associating with his highly informed customers. Perhaps it was their attitude to acquire knowledge rather than the knowledge per se that was instrumental in explaining for the low risk perception.

Figure 7.11: Risk perception versus Market Orientation

RP versus structural complexity map:

There appeared to be a linear but inversed relationship between perceived risk and the complexity of the organisational configuration. The dotted arrow reflected in Figure 7.13 shows this correlation, acknowledging that case ‘F’ (the Contented Shopkeeper) as a possible outlier.
Figure 7.12: Risk perception versus knowledge and competence

Figure 7.13: Risk perception versus structural complexity
7.6 Cross-case analyses

The descriptive stories outlined in Table 7.10 were transformed into vignettes as given below (Table 7.11) to succinctly describe how owner-managers partook in the planning process when considering how small firms’ RP and EOs shifted across time. More importantly, these analyses looked into the processes and outcomes across the nine cases in the context of this study resulting in more in-depth and meaningful explanations as illustrated in the displays below. The cross-case analyses should increase the generalisability of these findings (Miles & Huberman, 1994).

The owner-managers were identified and categorised as, “dynamic”, “static”, “struggle to juggle” and “not at all”. Vignettes and corresponding representative data were shown to substantiate the analysis. All the nine owner-managers were classified according to the four categories in Table 7.11 for easy reference.
The dynamic owner-managers knew that changes in the task environment were influencing their businesses, however, they were actively adapting. Governmental regulations that impacted car ownership costs such as those affecting the COE prices are the key challenges they faced. Still, these owner-managers could proactively utilise resources within and without the organisations to keep themselves meaningfully engaged in the industry.

These owner-managers held formal meetings with employees to challenge company’s direction and this led to new plans being formulated. For example, the Network Administrator wanted to focus on new car segments or to adopt new technology car such as the hybrid cars in the following year.

Collaboration rather than direct competition seemed to be more practised by these versatile owner-managers. Most of them thought that the market ‘pie’ was sufficient for all to share. So, they routinely network to help out by sharing sales enquiries that they could not fulfil and to share their views or information relating to COE matters. The owner-managers made their own forecast of impending COE bid (prices) exercises and were willing to share their knowledge with their business associates. Such sharing of information helped in dispelling unfounded risk perceived or in mitigating any risks that might arise.

"We can get a lot of feedback among the dealers, and also the car, also the distributors and all that, because people in the sales group will have friends everywhere as well, so we will have a good gauge how much COE will basically go up or drop, depending on whether the new car orders are coming in, and how it eventually affect used car prices, and all that, so we get pretty good forecasting on our own." (Duet Administrator)

"To be able to gear your business to be able to switch, whether is buying in of used cars, or doing new cars and all these kind of things, basically to be very versatile, to be able to change not your business model but maybe focus on revenue streams, at different points in time." (Duet Administrator)

"On a whole, we always try to be more creative, a lot of other firms are following our way of advertising. We do not mind sharing our ideas with our peers if it can lead to more demand and more business for us too." (Owner-manager ‘N’ – training case study)

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<th>Category</th>
<th>Vignettes</th>
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<td><strong>DYNAMIC owner-managers:</strong></td>
<td>The dynamic owner-managers knew that changes in the task environment were influencing their businesses, however, they were actively adapting. Governmental regulations that impacted car ownership costs such as those affecting the COE prices are the key challenges they faced. Still, these owner-managers could proactively utilise resources within and without the organisations to keep themselves meaningfully engaged in the industry.</td>
<td>“We can get a lot of feedback among the dealers, and also the car, also the distributors and all that, because people in the sales group will have friends everywhere as well, so we will have a good gauge how much COE will basically go up or drop, depending on whether the new car orders are coming in, and how it eventually affect used car prices, and all that, so we get pretty good forecasting on our own.” (Duet Administrator)</td>
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<td>‘D’ (Tech Salesman),</td>
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<td>‘E’ (Ferrari Salesman),</td>
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<td>‘I’ (Duet Administrator),</td>
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<td>‘J’ (Network Administrator),</td>
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<td>‘L’ (Bosses’ Administrators)</td>
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| DYNAMIC owner-managers:                       | Prior experiences also fostered the evolution of risk perception over time. As these owner-managers got accustomed to or had accepted the inevitable regulatory-effected changes, they felt a greater sense of being able to manage and adapt new changes. They were also less anxious and were operationally ready to implement new changes when needed. This was evident in the way the owner-managers dealt with currency risks which could be seen as one of the key considerations in the type of cars (country of origin) to be imported. Most of these parallel importers were prompt to respond to currency changes by importing continental, Japanese or Chinese cars depending on the strength of the respective currencies.  

*Moderating effect of EO:*  
These owner-managers illustrated their high EO by proactively adopting strategies to deal with the uncertainties in the motor vehicle industry. Due to the rise in the prices of COE, the demand for new cars was expected to decrease. This led to a number of firms shifting their focus to used cars to meet the change in demand of the consumers.  
Firms might also choose to focus on a different segment such as the premium buyers. As profits from the sale of cars were generally low, ancillary services were developed, providing loans and financing services to increase their overall income. | “In business there is always risk. If the COE go up too much, we will have a cap.” (Network Administrator)  
“I will choose cars that I can profit from. It does not matter whether it is from Japan or China. Buying a car is simply buying metal. Sometimes it is good, other times it is bad. It is always changing.” (Bosses’ Administrator)  
“Yes. Sometimes there is no choice. You have to test. It is not impossible not to buy this and that.” (Bosses’ Administrator)  
“Opportunity in maybe mechanical and they will still maintain their car quite regularly. Like what I say, the customer base is quite different. The target audience is more on the premium groups.” (Ferrari Salesman) |
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<td>DYNAMIC</td>
<td>Forays away from more traditional markets to markets such as Japan, Korean and even Brazil were also considered when it came to importing new car accessories. Such changes, albeit risky, provided new room for growth for these firms and managed their over reliance on local or usual sources.</td>
<td>Interviewer: When faced with a decision that affects my organisation’s financial future, would you choose more or less risky alternatives? Reply: “Less risky, unless the margin of difference is very high.” (Network Administrator)</td>
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<td>owner-</td>
<td>Different firms also had their methods of improving sales in unique but risky ways. Some came up with unique organisational structures which involved owning a chain of automobile companies, each with a different name. By working with partners on a profit-sharing basis, revenue was maximised by ramping up car sales in different geographical locations. Another received a dual source of income by selling cars to both end-consumers and other automobile businesses. One of them had not only launched his brand of car care products, but was also planning to start a school, with the intention of training qualified employees for the motor vehicle industry.</td>
<td>“We wanted to start a training school under the management group. Training for car wash.” (Ferrari Salesman)</td>
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<td>managers:</td>
<td>All these enterprising firms revealed strategies which were in the broadest sense, directed at mitigating the effects of the fluctuating COE prices. Routine and continuous improvement practices were observed. All the above initiatives came about with their eyes opened to their exposure of potentially treacherous risks. Their entrepreneurial characteristics allowed them to sense their endeavours to be less risky than they were.</td>
<td>“Yes but they are not under my name. I hire bosses to run the shops, and I will monitor them.” (Bosses’ Administrator)</td>
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In mitigating risk, some owner-managers chose not to adapt as they believed such efforts go against the trend of this being a matured (‘sunset’) industry. All owner-managers agreed that the prime concern was more on survivability rather than growth.

Although they were convinced that risks were imminent, to adapt might mean having to outdo competitors such as in the bidding of COE. This could result in incurring losses and overheads such as manpower costs, something that these small firms were not prepared to risk.

Moreover, owner-managers had deemed the use of outsiders to be intrusive. They rather rely on their own business acumen accumulated over the years to mitigate any risks faced. Respondents were highly skeptical about the value that consultants could provide as they suspected these consultants were not as competent as them.

The findings showed that despite the prevailing risks, owner-managers were satisfied with whatever they were performing. They were not too bothered by external influences and were indifferent to what other industry players were doing.

For various reasons, owner-managers were contented with their current clientele of regular customers and operated on a day-to-day basis. They perceived little need to outdo other similar firms, instead choosing to rely on the same modus operandi since inception.

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<td>‘F’ (Contented),</td>
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<td>‘H’ (Transition Salesman),</td>
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<td>‘K’ (Ethnic Salesman)</td>
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**Representative Data Example**

“We follow the trend... When the hype dies down, we will change to another product type.” (Contented Shopkeeper)

“We can have operational plans on a day-by-day basis and see how things go. If can operate we will carry on, but if cannot then we may just have to close shop” (Perturbed Shopkeeper)

“No (we don’t hire outside consultants). Because this is based on experience” (Ethnic Salesman)

“It is not say we do not consider overseas, but overseas wise, it is a bit risky because firstly you got to know people there, and when they show you the product there, it might be a top class product...but after that you start to get problems” (Transition Salesman)
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<td><strong>STATIC owner-managers:</strong></td>
<td>With regard to the EO of owner-managers, some of them revealed conservative approaches when managing their businesses. Despite having rich experiences in this trade, extensive business contacts and access to quality products, attempts to grow their businesses were hardly noticed.</td>
<td>“Not about loss-making or otherwise, but if you consider the overheads such as rental, it appears foolish to venture into unchartered territories.” (Perturbed Shopkeeper)</td>
</tr>
<tr>
<td>‘F’ (Contented), ‘G’ (Perturbed Shopkeeper), ‘H’ (Transition Salesman), ‘K’ (Ethnic Salesman)</td>
<td>Several of these owner-managers had the notion that there was little value in planning ahead, as the industry was unpredictable and constantly changing. They preferred to adopt a ‘follower’ mentality, adopting the strategies successfully implemented by their competitors and peers. Evidence of them trying to introduce new products and services were scarcely detected. In fact, they would only do so when customers began asking for them and were viewed as isolated events. Mostly, they served repeat customers and offered the same type of services over the years with little changes. Such conservative approaches were usually due to the owner-managers’ belief that little could be changed in a matured industry. To them, to try anything new would mean running ahead of the industry - meant little demand could be expected. Over the years, owner-managers perceived little need for innovative and entrepreneurial actions.</td>
<td>“What if there are new opportunities with uncertain outcomes? It depends. If it is a loss-making venture, I won’t try.” (Perturbed Shopkeeper)</td>
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<td>“We just ordered 2 or 3 to try and sell, to check if there are any issues. If there are no problems, we will continue to sell, or else we will stop selling the product. This is because we do not want to cause inconvenience to customers too.” (Contented Shopkeeper)</td>
<td>“Because in this industry, we follow the trend. We will offer the product that is currently popular in the market. For example, CCTV camera is currently popular. There will be many customers who ask about the product. When the hype dies down, we will change to another product type. There is nothing much to plan. We follow the trend.” (Contented Shopkeeper)</td>
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<td>STRUGGLE TO JUGGLE</td>
<td>Owner-managers who thought it was already a ‘sunset’ industry and therefore of no necessity to plan long-term – these were the ones who struggled to juggle in their planning response.</td>
<td>“...is already heading into the ‘sunset’. There is no need for such strategies. We can have operational plans on a day-by-day basis and see how things go. If can operate we will carry on, but if cannot then we may just have to close shop…..it is hard to do business, and exacerbated by the nature of this ‘sunset’ industry…..it is not about tense competition or not tense, it is about surviving in this sunset industry” (Perturbed Shopkeeper)</td>
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<td>TO JUGGLE</td>
<td>Although owner-managers ‘F’ were competent but perhaps lucky enough (circumstantially) to keep their firms going. They did not seem to struggle in utilising resources and were operationally competent. However, they were likely to struggle with work-life balance having to work every day.</td>
<td>“…it is the nature of the industry – used car, and even new cars, financial matters, day by day (management). Pretty much there is not much strategising to do, and more or less a ‘sunset’ industry.” (Duet Administrator) “This industry appears to be heading into the ‘sunset’, there are not much big opportunities available for everyone.” (Ethnic Salesman)</td>
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<td>owner-</td>
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<td>managers:</td>
<td>Some common traits among this category of ‘struggling’ owner-managers were that they lacked vision and a strong entrepreneurial orientation. They tended to be risk averse but operationally competent in any case.</td>
<td>Firm ‘F’ had been in the business for 28 years and knew the ‘ins-and-outs’ of this trade. They had some loyal customers and were operating in a location that gave them oligopolistic advantages. However, they did not think highly of their employees and thus could not draw more values out of them, for example in planning ahead incorporating employees’ input. “We rely on our own judgment. Employees will only tell you the problems they faced.” (Contented Shopkeeper)</td>
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<td>‘F’ (Contented Shopkeeper),</td>
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<td><strong>NOT AT ALL owner-managers:</strong></td>
<td><strong>‘E’ (Ferrari Salesman), ‘L’ (Bosses’ Administrator)</strong></td>
<td>“I would say, after my strategy of spending time on thinking all these, I don’t spend a lot of time just to daydream (strategy-generating activity), I just have maybe 40% on it, then another 40% enhance on my group of people, and 20% is on my own leisure time.”</td>
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<td>Now, the Ferrari Salesman worked less and earned more versus before. He was very clear about balancing business and personal life. Devoting 20% of his time for leisure and with his employees, he enjoyed fairly good work-life balance and established great bonding with his employees by going for company-sponsored tours. His investments (in new businesses, brand-building) were much greater than all of the other 8 cases, yet he took those risks in his stride at ease.</td>
<td>“Planning part now is when we do more on strategy. We don’t have to overwork, and we get good returns. Last time (meant previously) we work long hours, less returns.” (Ferrari Salesman)</td>
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|                                       | The Bosses’ Administrator believed in his business model but emphasised on compatible talent in choosing his ‘bosses’. He cited that only if he could find the ‘right guy’, would he proceed with his expansion plan. As the partners were specially selected by him they should work well with him. He advocated in what he termed as, ‘teamwork’. Kindly note that ‘teamwork’ to him meant collaboration among the companies under his control. Nevertheless and interestingly, these companies in reality compete with each other. | “...we will make the changes immediately...no need to plan in advance...”  
"...we cannot wait...if we are selling old cars when customers want new cars, won’t we be doomed?” |
Regardless of category (‘struggling’ or ‘not at all’), a strikingly common feature among all these firms were that they were influenced by outsiders in their risk perception of their task environment. Boundary-spanning activities were intrinsically important. All firms appeared to be competent in relationship-building and social skills. Examples of the collaborative (input) decision-making process were outlined in sub-section 7.2.3 above.

All the owner-managers thought formality of planning was not as important as the execution of plan. As long as they continued to be able to engage their boundary-spanning activities, their business could at least sustain for those firms under the ‘struggle to juggle’ category. Some of these firms had their own HRM practices that worked. In case ‘D’, the Tech Salesman’s gentler approach mitigated his father’s rough treatment of their employees; the Ferrari Salesman corrected his employees’ actions by aligning them with company’s objectives; and the Contented Shopkeeper used integrity and fairness to inspire their workers and most of the others used sales commission as the carrot to motivate performance.
None of the two ‘Shopkeepers’ (the Contented and the Perturbed Shopkeepers) was proactively changing. The Contented and Perturbed Shopkeepers consistently perceived their task environment to be risky over the last five years and more. Even sufficiently competent in their trades, they resigned to or preferred to be ‘Shopkeepers’ all these while. An observation made here was that owner-managers with high risk perception of the task environment tended to depend on their own business acumen and experience rather than relying on outsiders such as business consultants for help. However, both the firms did continue their boundary-spanning activities to increase their knowledge base for making planning decision. For examples, the Contented Shopkeeper relied on suppliers for market trend and was happy just being a market follower. On the other hand, the Perturbed Shopkeeper was constantly on a lookout for import opportunities. Incidentally, both these Shopkeepers had low EO level.

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<td>The Contented and Perturbed Shopkeepers consistently perceived their task environment to be risky over the last five years and more. Even sufficiently competent in their trades, they resigned to or preferred to be ‘Shopkeepers’ all these while. An observation made here was that owner-managers with high risk perception of the task environment tended to depend on their own business acumen and experience rather than relying on outsiders such as business consultants for help. However, both the firms did continue their boundary-spanning activities to increase their knowledge base for making planning decision. For examples, the Contented Shopkeeper relied on suppliers for market trend and was happy just being a market follower. On the other hand, the Perturbed Shopkeeper was constantly on a lookout for import opportunities. Incidentally, both these Shopkeepers had low EO level.</td>
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<td>SALESMAN:</td>
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<td>The Ethnic Salesman had medium levels of EO and risk perception. Input from their network sources was critical to decision-making. When asked about whether or not they would hire more workers, the reply was that only when business volumes warrant it so. In a sense, there was no clear long-term planning based on assessments of opportunities or threats. It was intuitive but reactive planning at this stage.</td>
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<td>‘D’ (Tech Salesman),</td>
<td>Owner-managers categorised as dynamic were able to navigate the market despite the uncertainty present and could adapt to the changes speedily and accordingly. These owner-managers exhibited medium to high EO level.</td>
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<td>‘E’ (Ferrari Salesman),</td>
<td>The Ferrari Salesman did not believe the financial crisis will impede his businesses. In fact, his planning response was to diversify into a new car detailing business when his car wash business was experiencing some problems during the 1998 Asian Financial Crisis. This appeared to be a result that his high EO moderated his risk perception. He commented that at the worst case scenario, he would end up as a driver which was fine by him. His decision-making process took into consideration of his highly successful customers who had been his mentor for many years.</td>
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<td>‘K’ (Ethnic Salesman),</td>
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<td>They were sales oriented generally. The evident of which was when they tried to market their cars in food centres albeit unconventional in this industry. Their decisions were also influenced by their belief that government’s policies (perhaps for both economic and political reasons) as a whole would not cause too much of an issue for small firms such as theirs. This notion made them feel that their business was not very risky. Nevertheless, the owner-managers increasingly found their task environment to be more uncertain.</td>
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<td>‘H’ (Transition Salesman),</td>
<td>About 10 years ago and with the help of external consultants, the Ferrari Salesman adopted ‘CEO’ planning response whereby he had strategic plan done up ready for execution. However, with the failure of the consultants in taking him through the implementation process, he was utterly disappointed. This disappointment did not cause him to undervalue strategic planning as he continued to so by ‘dreaming’ for greater success.</td>
<td>The Transition Salesman moved from the ‘Shopkeeper’ to the ‘Salesman’ over time. This was primarily due to the location of his working premises as much as more effort put into market development. The secluded location had nearby residents who were not happy with motor vehicle companies plying their trades there. The reason given was that the residents did not want to have a commercial or industrial image in their private housing areas. This explained why the owner-manager believed that without networking, the firm could not survive. Therefore, boundary-spanning activities were paramount for this firm that also viewed the task environment to be rather uncertain. Recently, they had begun to use internet in their marketing activities.</td>
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<td>‘I’ (Duet Administrator)</td>
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By now, having accumulated lots of experiences and with the continual help of his customer-friends and his analytical girlfriend, he could engage in the ‘Salesman’ mode quite effectively— forsaking formal strategic plan for the time being and planned intuitively instead. The Ferrari Salesman effectively cycled through the four strategic managerial types.

Going forward, the Ferrari Salesman was willing to try more risky ventures in the future. This could be attributed to their above average EO which moderated his risk perception.

The Tech Salesman was contented to be a specialist in their trade, i.e., had the technology and skills to service luxury cars. Even with rapid changes in the car maintenance software, their external contacts were still able to provide the necessary support. Their decision-making process revolved around the three of them, i.e., father, son and the key manager (Mr Lek). Their high EO appeared to moderate the risk of failure to get software upgrade. Any internal issues could be ironed out promptly with their rather effective people management skills.

The Duet Administrator had dual managerial types due to the two owners each specialising in their own roles. The respondent was responsible for firm strategy while his counterpart focused on operations (described under ‘Administrator’ below). Between both managerial profiles, the firm appeared to be more of a ‘Salesman’ rather than an ‘Administrator’. This is because the respondent’s role was clearly much larger than his partner’s. Even though he described his partner’s role as that of ‘operation’, there were other functions that were performed by the respondent. For examples, he was involved in sales management, business development, relationship management with the banks and firm strategy.
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<td><strong>ADMINISTRATOR:</strong></td>
<td>The Network Administrator was initially a ‘Salesman’ and then moved to become an ‘Administrator’. According to the respondent, the bigger players in this industry were ‘controlling’ the bid price by bidding higher. He attributed the uncertainties of the industry to these large car distributors. At the same time, the respondent felt that the LTA policies were too complex and were the cause of environmental uncertainties and unpredictability. The firm then turned more inward looking seeking for specific capability that could mitigate their risk. The step taken was a tie up with ComfortDelGro, which was an after-sale, service provider that was partially owned by the government. This was an important step to help in their sales because a strong after-sale service was an important consideration for buyers.</td>
<td>The Duet Administrator was also partly an ‘Administrator’ besides being a predominantly ‘Salesman’. It was difficult to classify firm ‘I’ as any one of the two because of the separate roles defined for each of them and that decision-making was done with the consensus of both owner-managers. While the respondent could express his in-depth understanding of how the COE system works, he did not plan to circumvent it to the firm’s advantage. It was probable that his knowledge and entrepreneurial traits (medium to high) had moderated his risk perception. There was at the same time, a deep sense of uncertainties about their task environment whereby he described as “very complex…and (they) move with the flow (of the environmental forces)”. The latter made them want to be more efficient by focusing on sales activities that could give a quicker turnover.</td>
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<td>‘I’ (Duet Administrator), ‘L’ (Bosses’ Administrator), ‘J’ (Network Administrator)</td>
<td>The Bosses’ Administrator was focused on being operationally efficient in his fairly complex organisational configuration. He stressed on the need to make quick decisions so that his people could get things moving. To him, his task environment was benign in that he had accepted that the actually complex environment should not be a key variable to his success. Another important step he took to be more efficient was to employ ‘bosses’ who were competent and compatible to his style of working. While he consulted the rest of the ‘bosses’ before deciding on essential matters, his key consideration would be operational efficiency so that more sales could be materialised. His daily visiting plan to the ‘bosses’ was important and worth his time, after all his ‘lively’ strategy needed no change for now.</td>
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It was also obvious that his ability to be efficient could become more difficult should he choose to expand his businesses. Already, he appeared to be reaching a limit to juggle his resources to efficiently handle more than the present 20 people under him. Therefore, he should move on to the ‘CEO’ going forward.

There was none that was assessed as having the ‘CEO’ planning response. However, the Ferrari Salesman and the Bosses’ Administrator should move to the ‘CEO’ style if they were to grow going forward.
7.7 Summary

In this chapter, the findings comprise of both the pilot study as well as for the nine main cases. The pilot study was instrumental in crafting out the case study protocol which included framing the research context. The coding structure was elaborated and coding categories were referenced.

Data analyses were illustrated using various forms of displays for both within-case and cross-case analyses. Risk perception played an important role in manager-owners’ planning response. Also, the findings supported EO as a credible moderating variable. However, the market orientation rival could not offer a strong case against the EO as a moderating factor on RP. The other rival that was investigated, the strategy-as-practice perspective appeared to be appropriate to describe the strategy of the small firms. The findings also show that decision-making by the owner-managers took input from both internal as well as external sources in what was described as ‘collaborative (input) decision-making’. As a whole, the data supported the Mazzarol and Reboud’s (2009) typology. The findings were regarded as valid and credible representations of the raw data. In the following chapter, these findings will be discussed and supported by theories with the research questions answered.
Chapter 8: Discussion

8.1 Introduction

In the previous chapter, all findings were detailed and analysed through displays and charts as recommended by Miles and Huberman (1994). The objective of this chapter is to deliberate on the study findings and explain how these findings both support and refute prior studies. That is, all data and findings were discussed in view of past research and this present research. This chapter sought to show how this research developed knowledge within a strategic decision-making environment through a two-step analytical generalisation process described below. Also, the findings were discussed with respect to applications for small firms at large including those of other industries. However, there are new theoretical insights and concepts that prior references could not be found. In such a situation, the statement ‘no prior research has been identified’ has been noted.

Analytical generalisation methodology

The chapter was structured around six research questions. Each research question, its associated findings and theories were discussed in its respective section. Under each section, the sub-section headings direct the study findings to address the research question. Where possible, literature references were provided for each finding to bring forth other theoretical insights.

The four cells (‘cell 1’ through to ‘cell 4’) of the Mazzarol and Reboud’s (2009) typology were empirically tested using the ‘ideal-typologizing’ generalisation technique (Halkier, 2011, p. 790) through a cross-case analytical process (Yin, 2013) as elaborated in Section 7.6 of the previous chapter. To test the planning response typology, research questions, RQ1 through to RQ4 were crafted to correspond to ‘cell 1’ through to ‘cell 4’ respectively.

Research question, RQ5 on the other hand, utilised ‘category zooming’ generalisation technique (Halkier, 2011, p.792) by focusing on risk perception as that zoomed-in category. This technique was employed and applied on the Mazzarol and Reboud’s (2009) typology using the nine case studies. Research question, RQ6 inquired into the moderating influence of EO on owner-manager’s risk perception. Furthermore, how the
risk perception influenced the risk and uncertainty trade-off for the owner-managers was also discussed.

8.2 Research Question, RQ1

In a simple-certain task environment characterised by a relatively benign environment and a simple structure, will the owner-manager focus principally on unstructured operational planning such as fine tuning of their businesses?

This research question specifically addressed ‘cell 1’ (‘shopkeeper’ planning response type) of the planning response typology given by Mazzarol and Reboud (2009), as shown in Figure 3.2 of this thesis.

8.2.1 A simple structure was found to facilitate boundary-spanning activities and increase social capital that helped to mitigate environmental uncertainties

A simple structure is organic in nature. This allowed the owner-managers and their employees to keep abreast of environmental changes and also, to easily network with outsiders. ‘Outsiders’ is defined broadly as those who were outside the small firms (Robinson, 1982). Robinson (1982) pointed out that high quality outsiders could play an important role to help owner-managers develop effective strategic plans. In view of owner-managers’ inclination to operational planning (Mazzarol and Reboud, 2009), the potential contribution from outsiders would be to complement owner-managers’ practical knowledge with strategic thinking. By communicating closely with outsiders, owner-managers could gain access to potentially important information and resources for making planning decisions.

These small firms performed boundary-spanning activities rather purposefully albeit each with varying intensities to achieve specific objectives. While some aimed to follow the market trend, others tried to keep up with the industry development such as the changes in LTA’s policies in order to predict the trending of COE bid prices. Yet to some others, the accessibility of software update was the prime focus. For examples in anticipation of higher demand, owner-managers started hiring more workers (the Tech and Ferrari Salesmen), importing new car models (the Duet and Network
Administrators), and preparing sales activities (the Ethnic Salesman). Boundary-spanning activities benefitted owner-managers in increasing business knowledge and social capital, both of which they knew were important resources at any time.

A simple structure facilitates the building of social capital. Social capital as defined by De Carolis and Saparito (2006) include trust, strong ties, shared code of language and structural holes within a network of people. Respondents carefully established social capital over many years with their key strategic networks. Strategic network within which a small firm operates include ‘customers, suppliers, employees, financial services providers, professional advisory network and regulatory authorities (Jennings and Beaver, 1997 cited in Mazzarol and Reboud, 2009, p.26). Even those owner-managers classified under the ‘static’ and ‘struggle to juggle’ categories understood the importance of social capital where they could tap on in times of need.

As expected, owner-managers in the ‘not-at-all’ and ‘dynamic’ categories networked and collaborated pro-actively with suppliers, customers and also competitors. In view of their relatively limiting resources, the small firms were ever more vulnerable to environmental volatilities. It is therefore unsurprising that the study respondents needed to mitigate this apparent resource constraint through collaborating with external avenues. In this respect, the findings of this study concurred with the study on the use of wide strategic networks to mitigate environmental uncertainties (Street and Cameron, 2007). As such, the small firms were poised to routinely tap on these networks for information and gained the confidence to deal with the volatile environment.

8.2.2 Study respondents were highly confident to deal with their task environment, even more so in a simple-certain scenario

According to De Carolis and Saparito (2006) cited in Mazzarol and Reboud (2009, p.124), a sense of ‘overconfidence’, an ‘illusion of control’ over the task environment, and the belief in the ‘law of small numbers’ (Keh et al., 2002) could influence the risk perception. This study could not ascertain the number of key external contacts that had large influence on the owner-managers’ decision-making. However, upon closer examination of the findings, there were evidences of ‘overconfidence’ and ‘illusion of control’ among the owner-managers. For example, the owner-managers showed unexpectedly great courage and confidence in riding out difficult times. Examples of the challenging times that owner-managers had experienced were the Asian Financial crisis and the extraordinary high COE bid prices. Notwithstanding for the Contented
and the Perturbed Shopkeepers who ‘struggled to juggle’, they displayed grit and common sense in overcoming the challenges present in their task environment.

**Owner-managers value different outsiders differently - management consultants were unnecessary while other strategic outsiders were considered essential to have:**

Outsiders play important roles in counselling and mentoring owner-managers (Johnson, 1992; Pareek and Rao, 1995 and Sullivan, 2000 cited in Mazzarol and Reboud, 2009, p.60). However, somewhat counter-intuitively, most respondents were unconvinced with regards to the effectiveness of engaging external consultants. This seemingly negative view is in agreement with Hankinson (2000). The study findings showed that owner-managers thought it would be unlikely for the management consultants to be more knowledgeable than themselves. Thus, they did not think these consultants could add value to their business. On the other hand, owner-managers valued the insightful views of other outsiders such as customers and suppliers. The insightful wisdom of these outsiders were frequently used to corroborate with the owner-managers’ own assessment of the environment.

**A ‘sunset’ industry suggests confidence rather than despondence:**

Similar to the Contented and Perturbed Shopkeepers (in the ‘static’ category), the other owner-managers that were classified under the ‘struggled to juggle’ category, labelled the motorcar industry as a ‘sunset’ industry. The ‘sunset’ label was a metaphor to mean first, that the motorcar industry segment had indeed reached a matured stage likened to a perfect competition scenario. Second, the task environment had become less and less complex with the passing of time. That is, owner-managers viewed a ‘sunset’ industry as one that was rather unchanging within the context of a simple environment. Therefore, they were confident that their operational competence could deal with risks associated with such a benign environment.

Apparently, a strategic plan was not considered necessary. Furthermore, even though the owner-managers found it challenging (struggled to juggle) in some areas, they did not consider enlisting the help of management consultants or government agencies in support of SMEs. The unwillingness to engage outside consultants was not due to the lack of financial resource. This is because there were public funds fairly easily available to credible small firms. Governmental agency (e.g., Spring Singapore) was rather willing to help small firms with financial aids as well as to provide direct consulting advice for deserving owner-managers who had proper business plans. Firm ‘E’ (Ferrari
Salesman) was one such beneficiary of an assistance scheme whereby the government reimbursed about 70% of his total consultancy expense. Thus, it was evident that the over-confident owner-managers were unperturbed and indifferent to their task environment. No prior research has been identified to specifically address this assertion.

8.2.3 A simple structure impressed upon the owner-manager’s perception that the task environment was less uncertain than it actually was

By adopting a simple structure, the owner-managers put themselves in the best possible position to keep up with environmental changes (Daft, 2013). Also, these firms could maintain meaningful network with their strategic outsiders who were important stakeholders (Ostgaard and Birley, 1994; Donckels and Lambrecht, 1997; Shaw, 2006). The confidence in the owner-managers was due in part to their huge experience in this industry. Strategic network helps in securing access to resources (Mazzarol, Reboud and Soutar, 2009). Together with the mutual trust that had been built over many years, the owner-managers were very confident to face any challenges in the foreseeable future. Moreover, the social capital could shape cognitive biases which in turn moderate the owner-managers’ risk perception (De Carolis and Saparito, 2006). Therefore in considerations of sub-sections 8.2.1 and 8.2.2 above, a simple structure impressed upon the owner-manager’s perception that a dynamic task environment might be perceived to be less uncertain than it was. No prior research has been identified to specifically address this assertion.

8.2.4 The propensity for operational planning and day-to-day operations was associated with the owner-managers’ austere background

No prior research has been identified to specifically address this assertion. All the owner-managers began work as an apprentice of sorts. Most had less than ten years of formal education and none had a tertiary qualification. To begin with, higher education was not what they aspired to have. Reducing the number of schooling years means having to start working sooner rather than later. The priority was to acquire some on-the-job vocational skills which were typically acquired from their immediate superior or owner-manager who also double-hatted as their mentors. Learning was through observations and doings especially in their early years in this industry. Frequently, they were pre-occupied with learning the ‘tricks of the trade’ and improving upon their
operational competency. Still, the lack of knowledge did not deter their entrepreneur
traits to evolve and to apply their street-smartness in any opportune time (e.g., the
Ferrari Salesman and the Bosses’ Administrator). Undeservingly, they had limited
exposure to the idea of strategic planning, formal or not, and found difficulty seeing
how such planning could be beneficial.

As a result, these owner-managers developed their competence in short-term thinking or
in day-to-day operations such as in direct selling, simple budgeting and advertising
activities. Structured strategic planning was viewed rather abstract and unnecessary. In
any case, they may not even understand what strategic planning entails. Their rather
uncomplicated approach to operational planning would be to utilise information
obtained from personal contacts (Rice and Hamilton, 1979) such as suppliers and
customers to plan incrementally. That is, the study findings provided some support for
explaining why the owner-managers could perform operational planning rudimentarily.

Yet, owner-managers viewed strategic planning to be needless in practice. Owner-
managers did not employ professional managers within the business to undertake
planning and strategy. While this research did not investigate why the owner-managers
shunned strategic planning, the present findings did indicate that ‘lack’ of formal
education may have led to their propensity to be hands-on and to focus on operational
plan or issues. Prior literatures supporting this operationally-minded inclination include
Carland et al. (1989), Daily et al. (2002), Filion (2004), Torres (2007) and Mazzarol and
Reboud (2009).

8.2.5 Dominant trait (owner/entrepreneur) of owner-managers influenced
planning

This study finding that was shown in Tables 8.1, 8.2 and 8.3 were condensed from
Tables 7.5, 7.6 and 7.9 of chapter 7 on findings. The ‘form of planning over time’
column shows the longitudinal changes in both the planning formality and of the type of
plan, i.e., operational and strategic plans.

Decision-making appeared to be dependent on whether the owner-manager was
behaving like an owner or an entrepreneur. Table 8.1 below shows the dominant trait
of each owner-manager in this respect. The entrepreneurial behaviour was rated based
on the following characteristics:
• Has a tendency to take considerable but calculated risks (Toulouse, 1979)
• Leans toward developing activities within the firm (Toulouse, 1979)
• Characterised as a person with a high need for achievement (McClelland, 1965)
• Personal vision or the image of the desired future state of the firm (Mintzberg and Waters, 1983)
• Establishes and manages a business for the principal purpose of profit and growth (Carland, Hoy, Boulton, and Carland, 1984)

The following characteristics were considered in rating an owner-manager for the presence of the dominant trait of an owner in accordance to Carland, Hoy, Boulton, and Carland (1984):

• Establishes and manages a business for the principal purpose of furthering personal goals
• Business must be the primary source of income
• Consume the majority of his or her time and resources
• Perceives the business as an extension of his or her personality; it is intricately bound with family needs and desires

First, Alvarez and Barney (2005) highlighted the increase support in recognising the differences between entrepreneur and owner in terms of their entrepreneurial or non-entrepreneurial decision-making trait. The key traits of an owner as singled out by D’Ambiose and Muldowney (1988) were largely in agreement with the findings of owner-managers ‘G’, ‘H’, ‘I’ and ‘K’. On the other hand, owner-managers ‘D’, ‘E’, ‘J’, and ‘L’ possessed dominant entrepreneurial trait. In all, the study findings showed that owner-managers were generally operationally minded as also determined in the last sub-section. Also, the observed strategic inclination was due to significant exogenous factors such as technological changes (the Tech Salesman – software upgrade), outsider’s influence (the Ferrari Salesman – firm’s growth), and opportunities in the task environment (the Transition Salesman – moving towards premium segment; the Ethnic Salesman – targeting parallel car import and new car segments).

So, none of the small firms was fundamentally interested in employing strategic management practices in their businesses over their many years in the industry. The owner-managers were fully occupied with their business operations where they spent a huge proportion of their time in it. So, the present findings are in agreement with
Robinson and Pearce’s (1984) suggestion that the small firms when engage in any planning activities were likely to undertake informal operational rather than strategic plan.

<table>
<thead>
<tr>
<th>Firm</th>
<th>EO</th>
<th>Dominant behaviour: Owner/Entrepreneur</th>
<th>Form of planning over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>M to H</td>
<td>Owner then entrepreneur</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>E</td>
<td>H</td>
<td>Owner then entrepreneur</td>
<td>Informal, operational to formal, operational; to formal, strategic and back to informal, strategic</td>
</tr>
<tr>
<td>F</td>
<td>L</td>
<td>Owner</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>G</td>
<td>L</td>
<td>Owner</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>H</td>
<td>M to L</td>
<td>Owner</td>
<td>Informal, operational en route to informal, strategic</td>
</tr>
<tr>
<td>I</td>
<td>M</td>
<td>Owner</td>
<td>Largely informal with some administrative support from partner</td>
</tr>
<tr>
<td>J</td>
<td>M to H</td>
<td>Entrepreneur</td>
<td>Informal, strategic to formal, operational</td>
</tr>
<tr>
<td>K</td>
<td>M</td>
<td>Owner</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>L</td>
<td>H</td>
<td>Entrepreneur</td>
<td>Consistently formal, operational</td>
</tr>
</tbody>
</table>

Most owner-managers were concerned with making ends meet in the near term and fine-tuned their businesses along the way. Thus, those owner-managers who behaved more like an owner rather than an entrepreneur focused on unstructured operational planning. Such behaviour could be explained by the effectuation theory (Fisher, 2012) whereby owner-managers muddled through with whatever they had on hand instead of ‘engineering’ its way to achieve pre-determined goals. On the other hand, the more entrepreneurial owner-managers incorporate strategic plan to address the pertinent effect of the key exogenous factors that were mentioned above.

The Ferrari Salesman was entrepreneurial but started off with the trait of an owner. However, in the case of an entrepreneur such as the Ferrari Salesman who at some points in time sought for growth areas to increase his income by providing more services. This led him to respond as an “administrator” wherein he managed a range of
associated businesses such as the car detailing, car washing and spare parts businesses. In doing so, the firm moved away from the simple structure in the process. Nevertheless, the Ferrari Salesman professed his entrepreneurial trait, saying:

“… some people (they) are not entrepreneur, they don’t dare to ‘chiong’ (means take risk in a local dialect), some, people like us, after that we realise we take it at heart, never mind we ‘chiong’, the most we start from zero, we start from zero, never mind, if still cannot be successful, never mind, we become (downgrading to be) a driver. This is what our thinking is, that’s why till today, our guts are different from the rest of the people (suggesting he was more risk-taking).”

As found in the cross-case analysis, the ‘static’ owner-managers (the Contented and the Perturbed Shopkeepers) struggled to juggle with their resource allocation when their focus was on informal, operational plan and short-term goals. This does not mean that the small firms were incapable. As Gibb and Scott (1985, p.620) pointed out that, ‘the absence of formal plans (strategic or operational) or, indeed, firm projections over several years, however, may not at all reflect on the capability of the company.’ Rather, the level of planning is contingent upon the complexity (or simplicity) of the small firm’s product and its task environment (Gibb and Scott, 1985). Firm ‘F’ (Contented Shopkeeper) was found to be a possible outlier in the study findings and therefore had been mostly excluded in this discussion chapter.

8.2.6 Abstraction of arguments to answer RQ1

This sub-section distils the previous sub-sections to address research question, RQ1. As used below, the formality of planning refers to “the firm’s use of formal procedures and the codification of strategic planning activities” (Mazzarol and Reboud, 2009, p.25). Table 8.2 below shows the degree of vertical differentiation of the nine case studies firms, which is for use in the ensuing discussion on flat organisational structure and its association with planning formality.

**Formality of planning and a flat organisational structure:**

All the nine firms could be considered ‘flat’ in consideration of the number of levels (between two and three) and the number of persons within each firm. According to previous studies on small firms by Pelham and Clayson (1988) and Rice (1983), flat organisational structures are more likely to engage in informal operational planning
rather than strategic planning. The present findings shown in Table 8.2 support the notion that a flat organisation tends to adopt an operational plan except for those firms that commenced their operation with a strategic approach. No prior research has been identified to support this particular assertion.

Firms that consistently maintain the same planning formality were associated with implementing two-level organisation structure. These firms were also more likely to plan informally with a focus on operational plan. No prior research has been identified. Firm ‘L’ (the Bosses’ Administrator) was the ‘black swan’ exception due to its rather complex, atypical business model for a small motorcar firm. This is because owner-manager ‘L’ was essentially managing a portfolio of businesses rather than operating an organisation per se. The Bosses’ Administrator resorted to crafting out efficient structured and formal plans as he found this to be effective at that moment to manage a large number of businesses (i.e., 20 ‘bosses’) on a daily basis.

**Formality of planning and operational/strategic plans:**

An interesting finding as seen from Table 8.2 below is that planning formalisation and the focus on the type of plan (strategic versus operational) changed over time for some firms while others chronically remain status quo even at times of environmental turbulence. That is, the number of persons in the firm and the number of organisational levels did not appear to be significant in influencing the form of planning. In addition, changes in the form of planning occurred randomly. However, the ‘struggle to juggle’ firms were found to be the ones that planned informally right from the early days of operation.

The study finding here provides support for Bracker and Pearson’s (1986) argument that formalisation is a transitional process. However, the transitional paths were unpredictable. The support for this unpredictability nature could be found from Matthews and Scott (1995, p.48) that suggest entrepreneurial firms were more sophisticated in their strategic planning and counter-intuitively, the level of sophistication reduced with increasing environmental uncertainty.

Also, the present findings concur in part with Mazzarol et al.’s (2009) suggestion that formal planning is associated with both strategic and operational plans. However, informal planning and not just formal planning, was found to associate with both strategic and operational plans as well.
Table 8.2: Planning formality and flat organisational structure

<table>
<thead>
<tr>
<th>Firm</th>
<th>Number of persons</th>
<th>Number of organisational levels over time</th>
<th>Hierarchy of authority</th>
<th>Form of planning over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>9</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>E</td>
<td>15</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Informal, operational to formal, operational; to formal, strategic and back to informal, strategic</td>
</tr>
<tr>
<td>F</td>
<td>5</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>G</td>
<td>2</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>H</td>
<td>3</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Informal, operational to informal, strategic</td>
</tr>
<tr>
<td>I</td>
<td>6</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Largely informal with some administrative support from partner</td>
</tr>
<tr>
<td>J</td>
<td>8</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Informal, strategic to formal, operational</td>
</tr>
<tr>
<td>K</td>
<td>5</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>L</td>
<td>20</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently formal, operational</td>
</tr>
</tbody>
</table>

Formality of planning and structural complexity:

Table 8.3 below shows the present findings relating to organisational configuration and planning formality. According to Unni (1984) and Carland, et al. (1989), the complexity of organisational configuration and multiple levels of management influence the formality in planning. However, the findings summarised in Table 8.3 below did not reveal such a correlation. This could be due to incompetence in formal planning on the part of the owner-managers or it could be simply a personal preference for informal planning in consideration of owner-managers’ limited formal education and training. No prior research has been identified to address this assertion.

The Network Administrator (Firm ‘J’) had an alliance relationship with an established government-related firm which might require firm ‘J’ to possess a formal plan as a prerequisite for the collaboration. As for the Bosses’ Administrator, he conceded that without a formal plan, it was rather impossible for him to efficiently manage the huge number of associate companies. Thus, it looked probable that those firms, who opted
for informal planning when their level of structural complexity warranted a formal plan, operated below potential level. No prior research has been identified to address this assertion.

This present findings as shown in Table 8.3 above suggest that whenever owner-managers adopted a more strategic stance, they appeared to implement a more complex structure. For example, as the Ferrari Salesman diversified into other businesses (e.g., car workshop and spare parts), he had dedicated divisions to manage each product line.

Table 8.3: Planning formality and structural complexity

<table>
<thead>
<tr>
<th>Firm</th>
<th>Number of organisational levels over time</th>
<th>Structural complexity</th>
<th>Form of planning over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>From 2 to 3</td>
<td>Medium to high</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>E</td>
<td>From 2 then to 3</td>
<td>High</td>
<td>Informal, operational to formal, operational; to formal, strategic and back to informal, strategic</td>
</tr>
<tr>
<td>F</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>G</td>
<td>Consistently 2</td>
<td>Low</td>
<td>Consistently informal, operational</td>
</tr>
<tr>
<td>H</td>
<td>Consistently 2</td>
<td>Low to medium</td>
<td>Informal, operational to informal, strategic</td>
</tr>
<tr>
<td>I</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Largely informal with some structured administrative support from co-owner-manager</td>
</tr>
<tr>
<td>J</td>
<td>From 2 to 3</td>
<td>Medium</td>
<td>Informal, strategic to formal, operational</td>
</tr>
<tr>
<td>K</td>
<td>Consistently 2</td>
<td>Medium</td>
<td>Consistently informal, strategic</td>
</tr>
<tr>
<td>L</td>
<td>Consistently 2</td>
<td>High</td>
<td>Consistently formal, operational</td>
</tr>
</tbody>
</table>

Therefore, by way of a summary to the above sub-sections directed at answering RQ1, a small firm of a simple structure within a simple-certain task environment will focus principally on unstructured operational plan, perhaps even more so when the product is simple. The apparent activities in such a scenario are that owner-managers deal with the task environment in a rather passive short-term fashion, fine-tuning and improving the operational processes along the way.

Almost inevitably, owner-managers treated business consultants with suspicion unless these consultants could assure that they are not just thinkers and involve in only the formulation of strategies but that they are also doers or participants of the strategies.
For example, the consultants should continue to be involved at least in providing guidance to the implementation of their proposed strategies.

Bracker and Pearson (1986) pointed out that formality is linked to the owner-manager. Owner-managers that struggled to juggle with resource utilisation planned informally all the time. Even though McKiernan and Morris (1994) suggested strong theoretical link between formality and financial performance, their empirical findings did not portray such a link. But, other owner-managers changed their formality in planning in rather random fashion. Those owner-managers who were consistent in maintaining in the level of formality were also those whose firm structures did not deviate from using just two levels. Lastly, all the firms were considered flat structurally and that owner-managers were rather confident that their focus on operational planning helped them deal with a simple-certain task environment. Therefore, in a simple-certain task environment characterised by a relatively benign environment and a simple structure, the owner-manager will focus principally on unstructured and informal operational planning.

8.3 Research question, RQ2

In a simple-uncertain task environment characterised by a relatively turbulent environment and a simple structure, will the owner-manager focus principally on intuitive strategic planning such as market development?

This research question specifically addressed ‘cell 2’ (‘salesman’ planning response type) of the planning response typology given by Mazzarol and Reboud (2009), as shown in Figure 3.2 of this thesis.

8.3.1 Strategic planning versus operational planning requires higher level knowledge and competence

Owner-managers need specific capabilities to carry out strategic planning. Some of these capabilities are the abilities to analyse and synthesise broad-ranging issues; to consider options and to formulate long-term plans. Some examples of the required analytical skills are the abilities to analyse the firm’s strengths and weaknesses and of its external environment (Matthews and Scott, 1995). The synthesis skill, on the other
hand requires the owner-managers to put together the analyses and then plan for the far
term such as to formulate the mission and the broad objectives of the firm. Furthermore, strategic vision and a broad knowledge base of the operations of the firm are important competence of a strategic planner. These key capabilities suggest the need of a more holistic and perhaps sophisticated approach to planning such as the use of SWOT analysis or even a simple budgeting management system. In contrast, the findings in this study mirrored that found by Rice and Hamilton, (1979) cited in Mazzarol and Reboud (2009, p.81) in that owner-managers were rather ‘ad hoc, irrational and unsystematic’ in the way they plan. Apparently, owner-managers made decisions by common sense routinely.

Operational planning entails detailed functional knowledge and operational processes. This does not arguably make it any easier to do versus strategic planning. Both require different competence and knowledge. While operational planning requires detailing of up to a year within the functional realm of a firm, strategic planning considers at least a few more years. Strategic planning should incorporate analyses on the general environment (e.g., PESTEL analysis) and the sector’s competitive dynamics. Therefore, strategic planning requires higher level conceptual knowledge and strategic competence.

8.3.2 Owner-managers with high level knowledge and competence may focus on operational planning as a matter of preference!

Mazzarol and Reboud (2009, p.135) suggested that owner-managers with high level of knowledge and competence would plan if it helps to mitigate perceived risk. This was supported with illustrations taken from the cases involving the Network and Bosses’ Administrators.

Furthermore, as argued in sub-sections 8.2.5 and 8.3.1 above, owner-managers characteristically preferred operational planning especially for those who were assessed as having low level knowledge and competence. This is rational because core operational skills were their forte in any case. Also, as indicated by Mazzarol and Reboud (2009, p.90), operational rather than strategic planning has a more direct bearing on the small firm’s performance. Then, it is rational for owner-managers to focus on operational issues especially when the level of knowledge and competence is low. This is supported by Castrogiovanni (1996) who pointed out that the value of planning is inversely related to the level of owner-manager’s knowledge of the task.
environment. However, the study findings indicated that a few owner-managers with higher level of knowledge and competent had opted to focus on operational planning even though they were ready to focus on strategic planning. This was adjudicated as a deliberate choice for the Network (case ‘J’) and Bosses’ (case ‘L’) Administrators.

Still, it appeared at first that case studies ‘J’ and ‘L’ provided the negative cases in the findings. Both the Network and Bosses’ Administrators focused on operational planning even though their knowledge and competence were of medium to high level. While both were increasingly ready to focus on strategic planning, they chose to focus on operational planning at the cut-off point of this study’s data collection phase. As subsequently uncovered, the Bosses’ Administrator was contented with his present business model and plan. After all, he was already earning at least S$30,000 monthly. In the case of firm ‘J’, its owner-manager needed a more formal plan to meet the expectation of its established and rather well-organised alliance partner (a government-related company listed in the Singapore Stock Exchange).

While case studies ‘J’ and ‘L’ provided the counter-argument to a certain extent, it is noteworthy that their managerial preferences and values played a huge part in how they eventually planned. This is in agreement with D’Ambiose and Muldowney’s (1988) management framework for studying the small firms whereby the managerial characteristics are an important component of this model in explaining managerial behaviour.

These dynamic and rather successful owner-managers (‘L’ and ‘J’) had illustrated also that a focus on operational planning should not be regarded as inferior to a focus on strategic plan even though the latter operates primarily at a higher order conceptual domain. Also, the present findings agree with Deeks (1973) in that owner-managers were more confident in operations rather than in strategy.

8.3.3 Outsiders’ input improved upon owner-managers’ low level knowledge and competence

All firms benefitted from outsiders’ help in one way or another and to different extent as illustrated in Table 8.4 below. The term ‘environmental changes’ as used in this Table refers to the COE price trend as well as the changes of policies established by motorcar related authorities such as the LTA (Land Transport Authority) and the governmental Transportation Ministry.
The competence for the Tech Salesman was critically enhanced by the availability of technical assistance including software upgrade so that the firm would then be able to provide maintenance service for luxury cars. Customers’ input provided significant contributions to almost all owner-managers and especially for the Ferrari Salesman whereby strategic thinking skills were cultivated through ongoing informal private ‘tutelage’ from his leading customers.

### Table 8.4: Contributions from outsiders

<table>
<thead>
<tr>
<th>Owner-manager</th>
<th>Outsider type</th>
<th>Outsider’s key contributions</th>
<th>Significance of contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>Workshop employees from large car distributors firms</td>
<td>Provide software updates for car diagnostics tools</td>
<td>High (also use internet for information)</td>
</tr>
<tr>
<td>E</td>
<td>Customers</td>
<td>Strategies and people management skills</td>
<td>High</td>
</tr>
<tr>
<td>F</td>
<td>Suppliers; customers</td>
<td>Potential candidates for hiring and market trend</td>
<td>Medium to high</td>
</tr>
<tr>
<td>G</td>
<td>Customers</td>
<td>Market demand</td>
<td>Negligible (use internet for information)</td>
</tr>
<tr>
<td>H</td>
<td>Customers</td>
<td>Market demand</td>
<td>Low</td>
</tr>
<tr>
<td>I</td>
<td>Industry players (including competitors)</td>
<td>Market demand; environmental changes</td>
<td>Medium</td>
</tr>
<tr>
<td>J</td>
<td>Customers and alliance partner</td>
<td>Environmental changes</td>
<td>Medium to high</td>
</tr>
<tr>
<td>K</td>
<td>Industry players and customers</td>
<td>Environmental changes and market demand</td>
<td>Medium</td>
</tr>
<tr>
<td>L</td>
<td>Industry players</td>
<td>Environmental changes and market demand</td>
<td>Medium to high; also use internet for information</td>
</tr>
</tbody>
</table>

The Ferrari Salesman started his career with simple car-washing and car-detailing activities. His aspiration was to excel and to emulate the success of his high-achievers customers. That motivated him to work harder and increasingly longer working hours. Along with sheer diligence came also frustration due to his inability to grow in his business no matter how hard he tried. Then, it was his customers advised him to devote more time to strategies for growth – to free him from the “operational bondage” so to speak. In the change process, he began to understand the importance of education to an entrepreneur like himself. In addition, he realised business risks needed to be managed with more sophisticated planning. Acknowledging his inadequacy in strategic planning,
the Ferrari Salesman engaged management consultants from whom he learned about the strategic formulation process, organisational configuration, marketing (branding and franchising) and people management.

The other category of outsiders that contributed significantly to the owner-managers’ competence was the industry players. Even though these industry players compete with each other in some ways, they recognised the importance of their collaborative co-existence to deal with among others the volatility of the task environment. As such, owner-managers could develop the confidence in forecasting COE price trend through assessing the input shared by fellow motorcar dealers. Alternatively, information accessed through the internet helped to corroborate these shared input for some owner-managers who were relatively more IT savvy.

As discussed in the literature review chapter 3, Gibson and Cassar (2000) concluded that owner-managers who were more likely to plan were those with higher levels of formal education, particularly tertiary education. Still, there appears to be a lack of literature on how outsiders’ input as a form of ‘informal’ education could influence the owner-managers’ to plan formally.

8.3.4 Both a simple organisational structure and help from outsiders were important for the firm to expand in an uncertain task environment

Inherently, a turbulent task environment poses relatively high risks to the small firms in terms of uncertainties in obtaining information and resources. However, sub-sections 8.2.1 and 8.2.2 argued that a simple structure is poised to engage essential external resources. As pointed out by Galbraith (1973), the amount of information required for decision-making increases with the level of uncertainty. Thus, to manage risks prudently, it was essential even for these highly experienced and confident owner-managers to enlist external help as discussed in sub-section 8.3.3 above.

The present findings indicated that all the respondents frequently indulged in sales and marketing activities. These were rather routine activities for the small firms even for those owner-managers who were categorised under ‘struggle to juggle’ and ‘static’. The risk perceived under an uncertain task environment is expectedly greater than in a more certain one. For growth in an uncertain task environment, small firms should focus on strategic planning to mitigate the perceived risks even though they tend to focus on their forte, i.e., in operational activities as argued in sub-section 8.2.4 above.
Due in part to their over-confidence nature in dealing with the task environment, owner-managers did not think business consultants were necessary as discussed in sub-section 8.2.2 above. However, Table 8.4 shows that the outsiders’ contributions had more strategic rather than operational benefits. Outside consultants could help to craft out marketing and sales management plans where the owner-managers could then focus on implementing them.

The crafting out of the strategic plans is more demanding in terms of the required level of knowledge and competence to do so. Thus, growth-seeking owner-managers should engage outsiders more for strategic rather than operational contribution in an uncertain environment. There was no prior research that could be identified to specifically address this assertion.

8.3.5 An intuitive approach supported the owner-managers to progressively seek opportunities in enlarging their market

By their nature, small firms tend to have rather limited financial and human resources and thus more vulnerable to the various environmental elements (Vossen 1998 as cited in Huang, Soutar and Brown, 2002; McAdam, 2002). Based on the contingency perspective, this implies that the small firms tend to respond to external influences rather than predicting and controlling it (D’Amboise and Muldowney, 1988; McAdam, 2002).

Also, by its organic nature (discussed in sub-section 8.2.1) and the tendency to view the task environment as less uncertain from a simple structure perspective (discussed in sub-section 8.2.3), coupled with their extensive industry experience (average of 20 years), it is highly probable for the owner-managers to adopt the heuristic approach to sieve out opportunities, even transitory ones.

The present findings that support the intuitive behaviour can be found for the Tech Salesman, Ferrari Salesman, Network Administrator and Ethnic Salesman (owner-managers ‘D’, ‘E’, ‘J’ and ‘K’). A notably common feature among these owner-managers was a high level of knowledge and competence.

Table 8.5 below shows the evidence of owner-managers’ intuitive and strategic behaviour in dealing with an uncertain task environment implemented using a simple structure.
Table 8.5: Intuitive and strategic actions – direct selling and sales management

<table>
<thead>
<tr>
<th>Firm</th>
<th>Evidence of intuitive strategic actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>D (Tech Salesman)</td>
<td>Planned ahead for growth by recruiting more workshop technicians.</td>
</tr>
<tr>
<td>E (Ferrari Salesman)</td>
<td>Developed new car cleaning product through R&amp;D and then built the brand through a brand management plan which include franchising initiatives to speed up growth. To enjoy scope benefits and tapped on new growth areas, he started new businesses to provide spare parts and other related services.</td>
</tr>
<tr>
<td>J (Network Administrator)</td>
<td>Understood value drivers for customers through conducting field research. As a result, the firm outsourced the after-sales service to an established company that specialised in such activity. Tapped on any available transitory opportunities to grow using a fast follower approach. For example, the firm sensed a growing demand for hybrid and diesel cars. Then, the firm increased sales using (intuitive) parallel importing strategies.</td>
</tr>
<tr>
<td>K (Ethnic Salesman)</td>
<td>Aggressively marketed their product in a food court during lunch hours. This was an unprecedented, aggressive sales approach. The firm believed that a fast follower was less risky as compared to being a first mover.</td>
</tr>
</tbody>
</table>

8.3.6 Abstraction of arguments to answer RQ2

To grow in the uncertain task environment, the intuitive approach focused on direct selling and marketing activities and tapped on strategic network to develop the market. However, the trade-off in adopting the intuitive approach appeared to be a lack of focus on operational efficiency. Owner-managers had shown that a simple structure and an intuitive planning approach could help to weather through turbulent task environment at one time or another tapping on their extensive experience in the industry. However, it appears that a simple structure with a common sense approach facilitate intuitive actions. Also, their vast experiences appeared to compensate for a lack of sophistication in planning. No prior research has been identified in the small firm or organisational structure literatures that specifically addressed this finding.

This sub-section sums up the preceding sub-sections that indeed owner-manager will focus on intuitive strategic planning in a simple-uncertain task environment characterised by a relatively turbulent environment and a simple structure. In sub-section 8.2.3 above, a simple structure was argued to impress upon the owner-manager that the task environment is either simple or less uncertain that is. However, this perception might change when the owner-manager accumulates more knowledge and competence as described above for the Ferrari Salesman.
As unfolded from the findings, owner-manager that had acquired more knowledge and competence over time would see the need to be more strategic (such as for the Transition Salesman) or be structurally more complex (such as for the Network Administrator) to deal with increased risk perceived. Both the Ferrari and Transition Salesmen could use intuitive ways based on their experience in this trade.

On the other hand, the Network Administrator could afford to focus more on day-to-day operations rather than on strategic plans. This is because the complexity of the current configuration was enough to deal with the increased risk perceived, the latter was due primarily to increase in business volume (scale) or product types (scope).

By maintaining a high level of knowledge and competence, the Tech and Ethnic Salesmen could be intuitive in planning and continually optimising what the simple structure could offer which are non-bureaucratic, flexible and organic. In agreement with Mintzberg (1983, p.161) that in ruling the firm in autocratic manner, owner-managers tend to manoeuvre in unpredictable ways within the simple but dynamic environments.

Thus, in a simple-uncertain task environment characterised by a relatively turbulent environment and a simple structure, the owner-manager will focus principally on intuitive strategic planning.

8.4 Research question, RQ3

In a complex-certain, relatively benign task environment characterised by a higher concern on operational efficiency over external environmental issue and a complex divisionalised structure, will the owner-manager focus principally on structured operational planning such as operational efficiency?

This research question specifically addressed ‘cell 3’ (‘administrator’ planning response type) of the planning response typology given by Mazzarol and Reboud (2009) as shown in Figure 3.2 of this thesis.
8.4.1 Owner-managers viewed the firm’s operational issues as more pressing than issues relating to the relatively benign task environment

Sub-section 8.2.4 argued that the owner-managers’ austere background could lead them to focus on operational issues. Reinforcing this tendency is a scenario of increasing operational complexity. That is, the firm may struggle to cope with operational issues associated with the firm’s expansion in its scope and scale of operation.

Also, as argued by Mintzberg (1983, p.221), the divisional structure has inherently a more centralised set of characteristics than otherwise. Therefore, as each division plays its role with a more focused “Machine Bureaucracy” approach, the owner-managers were still intensively involved in directing each business unit alongside a divisional manager when there was one. In this respect, this present finding is in agreement with Mintzberg’s (1983) suggestion that the strategic apex (owner-managers) while allowing certain degree of decentralisation, did not relinquish their accountability for the operational issues. In fact, within the context of the small firms, the direct control from the strategic apex can only be more pronounced in consideration of its relatively modest size versus the larger divisionalised firms.

As pointed out by Mintzberg (1983, p.229), the divisional configuration is most suited to deal with market diversity and works best in a task environment that is “neither very complex nor very dynamic”. The latter environmental uncertainty should lead to a moderately low risk perception. As such, owner-managers need not react to external issues intuitively. Rather, as found out in this present study, owner-manager enforced a more measured and structured plan whereby internal issues take precedence. No prior research has been identified in the small firm or entrepreneurship literatures that specifically addressed this finding.

8.4.2 The divisional structure achieved greater overall efficiency when the increasing business scale and scope was beyond what the simple structure could effectively administer

Mintzberg (1983, p.217) suggested that a divisional structure is in fact a centralised-decentralised structure. Its nature of control is a mixture, from the apex of the entire structure over all divisions to its autonomy given to divisional managers, thereby allowing a hybrid mix of behaviour to be manifested resulting in potentially greater overall efficiency.
Table 8.6 below shows the longitudinal changes in the preferred configuration at the point of data collection. For the Ferrari Salesman, Network Administrator and the Ethnic Salesman (firms ‘E’, ‘J’ and ‘K’), the present findings show that with increasing scope, the divisional structure was adopted.

Table 8.6: Primary configuration vis-à-vis firm’s scale and scope

<table>
<thead>
<tr>
<th>Firm</th>
<th>Scale and scope</th>
<th>Configuration type</th>
<th>Coordinating mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>Low</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>E</td>
<td>Low to high</td>
<td>Simple to divisional structure, to adhocracy, back to simple structure</td>
<td>From direct supervision to a mixture of direct supervision and decentralised control</td>
</tr>
<tr>
<td>F</td>
<td>Low</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>G</td>
<td>Low to medium</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>H</td>
<td>Low</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>I</td>
<td>Low</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>J</td>
<td>Low to medium</td>
<td>Simple to divisional structure</td>
<td>From direct supervision to a mixture of direct supervision and decentralised control</td>
</tr>
<tr>
<td>K</td>
<td>Low</td>
<td>Simple structure</td>
<td>Direct supervision</td>
</tr>
<tr>
<td>L</td>
<td>High</td>
<td>Divisional structure</td>
<td>Mostly decentralised control</td>
</tr>
</tbody>
</table>

In the case of the Ferrari Salesman, owner-manager’s brother was put in charge of the car washing business of which he had little direct supervision. As for the Network Administrator, certain level of decentralised control was needed to manage the outsourced after-sales activities. The Bosses’ Administrator practised decentralised control through managing the ‘bosses’ who ultimately made the operational decisions for each of their respective businesses.

Mintzberg (1983) and Daft (2013) provide support for this finding and thus also the above assertion.

8.4.3 Abstraction of arguments to answer RQ3

This sub-section serves to summarise the preceding sub-sections. Owner-managers, as the strategic apex of the small firm need to strike a balance between the degrees of decentralisation-centralisation in order to achieve an optimal overall efficiency. The nature of a benign environment together with the hands-on tendency of owner-managers should increase the propensity for operational planning. Besides, the increase in structural complexity translates to a need for a more structured approach to planning rather than a random, reactive one. A structured operational plan could include a direct
selling activity or a sales management plan. However, the level of knowledge and competence of the owner-managers appear not to be a crucial consideration in focusing on structured operational planning. This was argued in sub-section 8.3.2 that the personal preference of the owner-manager could determine the choice here regardless of the level of knowledge and competence.

Thus, in a complex-certain, relatively benign environment task environment characterised by a higher concern on operational efficiency over external environmental issue and a complex divisionalised structure, the owner-manager will focus principally on structured operational planning.

8.5 Research question, RQ4

In a complex-uncertain highly turbulent task environment, and a complex, adhocracy structure, will the owner-manager focus principally on structured strategic planning such as strategic transformation?

This research question specifically addressed ‘cell 4’ (‘CEO’ planning response type) of the planning response typology given by Mazzarol and Reboud (2009), as shown in Figure 3.2 of this thesis.

8.5.1 Owner-manager with high level knowledge and competence will focus principally in strategic planning rather than operational planning to mitigate risks in a highly turbulent task environment

There is no prior research other than Mazzarol and Reboud (2009) that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. Prior literatures had been primarily concerned with the management of the small firms (Hatten, 2009) or the area of entrepreneurship (Barringer and Ireland, 2010). This appeared to be a new insight into the role of risk perception.

As given in sub-section 8.2.2, owner-managers lacking in knowledge and competence trusted their operational skills and street-smart approach to conduct businesses, apparently without much concern for long-term repercussions. Also, as argued in sub-section 8.2.1, a simple structure is poised for learning from strategic network and for
building social capital along the way. Still, there was the propensity for these managers
to plan informally with a focus on operational plan rather than strategic plan.

On the other hand, owner-managers who possessed higher level of knowledge and
competence could appreciate strategic planning better (see sub-section 8.3.1). Also
suggested in sub-section 8.3.3, outsiders could be enlisted to craft out strategic plans.
Owner-managers could also raise their level of knowledge and competence through
outsiders. The case in point is the Ferrari Salesman who moved on to strategic planning
with the encouragement of the Government’s pro-SMEs initiatives and from his leading
customers.

The Ferrari Salesman increased his knowledge and competence in significant strides
from his knowledgeable customers over many years. The trust between the owner-
manager and his customers enabled him to believe in the latter’s insights in especially
not to overly focus on operational issues. As a result, the Ferrari Salesman began to
perceive the environment to be more uncertain than he had ever known it to be and that
strategic management was useful to address the uncertainties. Breaking away from the
industry norm, the Ferrari Salesman eventually engaged business consultants so as to
mitigate the risks arising from the increasingly obvious volatile task environment.

8.5.2 It was found to be crucial to scan not only the highly turbulent task
environment but also the internal environment

Past literatures could not be identified to specifically address this finding. Most strategy
literatures on SWOT were intended for the large firms with a focus on strategic options
which may or may not be suitable for the small firms. In previous literatures on SWOT
analysis, the focus could be on one or more of the following:

- Developing strategy capability (Johnson, G., 2014, p.91)
- Generating a priority-based plan of actions based on matching the elements of
  strengths and weaknesses with the opportunities and threats (Gopinath C. and Siciliano
  J., 2005, p.47)
- Understanding strategic issues (Abraham S.C., 2006, p.96)
- High growth owner-managers are more systematic in their analysis of their external
  and internal environments (Mazzarol, Reboud and Soutar, 2009, p.336)
- Small business owners use fewer planning tools as compared to the larger firms (Woods
  and Joyce, 2003)
Table 8.7 below illustrates the importance of scanning both the internal and external environments before taking actions based on a causal approach. The theoretical perspectives that undergird the SWOT analysis are the resourced based view approach (Barney, 1991) and the traditional “causal approach” to entrepreneurship as described by Sarasvathy (2001). That is, there is an assumption that the priorities made to the utilisation of resources will best meet the a priori goals established by the owner-managers.

All the firms listed in this Table were specially selected because these firms took specific actions to deal with the internal as well as the external environments that were considered uncertain.

For the Tech Salesman, apart from the vital need of software upgrade, owner-managers looked inwards and recognised the pivotal role played by his key manager (Mr Lek) who accounted for about 40% of their number of customers.

The Ferrari Salesman acknowledged that his lack of formal education had affected the way he managed his businesses in two areas. First, he found difficulties managing human capital. Second, he was unable to analyse his firm, the environment and to strategise for the long term in a professional manner.

In these respects, outside consultants were engaged to train the owner-manager on people management skills and also strategy formulation. Subsequently, his present girlfriend offered rational thinking into his intuitive plan, for example by looking into the feasibility and rationale behind each major intended action.

The constant awareness of the task environment provided the Duet Administrator the cue to act upon tried and tested business segment. The Network Administrator knew the value driver of his targeted customers by providing high quality after-sales service. He evaluated internal resources and concluded that outsourcing this activity made strategic sense.

The Ethnic Salesman had excellent sales competence (internal strength) particularly in dealing with the wealthy Malay customers. These case studies showed how scanning internally and externally could help to craft out specific strategic actions in a highly uncertain environment. However, the static Transition Salesman failed to take the necessary actions.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Strength</th>
<th>Weakness</th>
<th>Opportunity</th>
<th>Threat</th>
<th>Action (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>Access to needed software updates for servicing luxury cars</td>
<td>Organisational culture – both the father and son (owner-managers) have contrasting management styles.</td>
<td>High COE trend</td>
<td>Heavily dependent on a key manager (Mr Lek). Competitors were attempting to poach this manager.</td>
<td>Ensure the key manager was happy with their benefits. The father managed a group of older workers who could take his hard-line approach. The son managed the younger folks.</td>
</tr>
<tr>
<td>E</td>
<td>Heuristic approach; innovativeness</td>
<td>Lack of strategic process thinking</td>
<td>High COE trend</td>
<td>Due partly to his high EO, his perceived risk could be hugely lowered. Together with his intuitive decision-making style, he may end up making miscalculated high risk decisions.</td>
<td>The owner-manager’s girlfriend provided the analytic and logic perspectives to his heuristic approach.</td>
</tr>
<tr>
<td>H</td>
<td>Open to embarking on new market segments</td>
<td>Slow to adapt to market changes</td>
<td>Overseas suppliers for cost savings</td>
<td>Lack of agility</td>
<td>Inadequate entrepreneurial motivated actions means the firm was ‘stuck’ in a status quo position</td>
</tr>
<tr>
<td>I</td>
<td>Very knowledgeable on this motorcar industry</td>
<td>Innovativeness and first mover means little, owner-manager would rather be a follower in this industry</td>
<td>Used car market</td>
<td>No real threat! His high level knowledge and competence in external scanning will help him to survive</td>
<td>He adopted a ‘scan-forecast-action’ approach that was based on proven market demand or conditions</td>
</tr>
<tr>
<td>J</td>
<td>Fast mover. Understand the importance of providing reliable after-sales service</td>
<td>Over reliance on intuition in decision-making, e.g., invest heavily before a clear understanding of the market</td>
<td>Having an established firm as an after-sales partner should provide more businesses due to better service quality</td>
<td>The weakness could result in huge loss</td>
<td>Outsource the after-sales service to an established firm. This should be in line with the market demand for quality service</td>
</tr>
<tr>
<td>K</td>
<td>Clearly defined market segment; excellent customer management</td>
<td>No significant weakness</td>
<td>New car and parallel imported cars</td>
<td>Uncertainties in the Japanese car segment</td>
<td>Provide excellent service to well-to-do Malay customers in the used car segment; Planned to tap on the opportunity</td>
</tr>
</tbody>
</table>
8.5.3 An adhocracy structure was found to be effective to support the small firms to grow through a process of strategic transformation

“To cope with various environments, organisations create specialised subunits with differing structural features such as having different levels of formalisation, centralisation/decentralisation, and planning time horizon” (Scott, 1981, p. 89). This suggests that the required organisational configuration should match its complexity with the degree of uncertainties in the task environment. The organic adhocracy form is suitable for use in a complex and dynamic task environment (Mintzberg, 1983). It is also useful for small, innovative and growth-oriented firms (Mazzarol and Reboud, 2009).

As shown in Table 8.8 below, an adhocracy structure supported the transformation of the Ferrari Salesman from a less-innovative, rather stagnant firm to a high-growth, innovative organisation. Through mutual adjustment, this structure facilitated changes in the organisational culture from a mundane car-washing workshop to an innovative multi-service premium car detailing firm – evident of strategic transformation. To promote innovation, decision-making was decentralised whereby the Chemist was highly flexible to respond rapidly to the highly volatile environment. At the same time, the current product lines such as the car wash and car detailing businesses continued to be efficiently managed. It appeared also that the perceived uncertainties and risk could be mitigated by such a structured strategic planning. Thus, the present findings are in agreement with Mintzberg (1983) and Mazzarol and Reboud (2009) on the use of a rational and professional approach to strategic planning, and implementing adhocracy structure for growth in a highly uncertain environment.

8.5.4 Evolution of planning and structural design: case of the Ferrari Salesman

The causation and effectuation theories (Sarasvathy, 2001) could explain how planning and organisational structure evolved for firm ‘E’ (the Ferrari Salesman).

Table 8.8 below shows the evolution of firm E’s structure, innovativeness and primary focus in planning. Owner-manager started the business with time as his primary resource. He did not set any goal on what to achieve but simply work for long hours to hopefully achieve some level of success. With whatever he had on hand, he strived as a
‘shopkeeper’ to move forward – effectuation. From a simple structure, he moved on to the divisional structure since he had to manage increasing business volume and number of businesses. The three main businesses that were implemented using the divisional structure are car washing, car detailing, and car maintenance workshops. At this stage, simple innovations were evident which include special lightings and cleaning tools for the car detailing business. These innovations brought about significant value to his well-to-do customers in the car detailing business. However, with the help of external consultants, he continued his expansionary activities incorporating strategic activities. Now he could envision clear objectives, performed analyses using professional business tools and were ready to further his other innovative activities.

The strategic plan incorporating adhocracy was based largely on external input such as those from strategic network besides those from the business consultants. The latter’s contributions shaped up the strategic plan to be more structured and formal. The planning at this juncture was based on the outcome of a rational deliberation process with the help of professional consultants – causation approach.

<table>
<thead>
<tr>
<th>Firm Structure</th>
<th>Main Design</th>
<th>Owner-manager’s innovativeness</th>
<th>Primary planning focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple</td>
<td>Organic, standardisation</td>
<td>No evidence of innovation</td>
<td>Informal operational</td>
</tr>
<tr>
<td>Divisionalised</td>
<td>Market grouping</td>
<td>Simple innovation</td>
<td>Formal operational</td>
</tr>
<tr>
<td>Adhocracy</td>
<td>Organic</td>
<td>Highly innovative</td>
<td>Formal strategic</td>
</tr>
<tr>
<td>Simple</td>
<td>Organic, hybrid</td>
<td>Reduced innovativeness (shifted to work-life balance)</td>
<td>Informal strategic</td>
</tr>
</tbody>
</table>

While the adhocracy structure supported the Ferrari Salesman to be highly innovative, the firm actively scanned the dynamic task environment for opportunities. Consequently, the owner-manager engaged a Chemist to co-develop new car cleaning and polishing products. His strategic plan also included building brand equity to eventually launching a franchise system.

The adhocracy structure allowed mutual adjustments between the Chemist and the owner-manager in co-developing new products. These findings are in agreement with Carland et al. (1989) who concluded that owner-managers with formal plans tend to
have higher risk proclivity and an inclination towards innovation. However, he exercised direct control over the car detailing process as well as all the other businesses at the same time. His decision into new businesses evolved incrementally over time (Mintzberg, 1972) but not exclusively detached from the existing planning mode. His deliberate choice of new product development strategy was based on the logic of control whereby he had the knowledge to leverage on the existing knowledge and competencies among businesses. This was clearly effectuation at work.

Of late, the Ferrari Salesman turned his attention to work-life balance (see abstract of the transcript below). He no longer worked as hard as before. Instead he thought it as essential to enjoy the finer things of life such as owning luxury cars, shopping for branded material and travelling for holidays. By bringing his employees for holidays and propagating his work ethics, he had instilled a culture of work hard-play hard way of life in the firm. Hereby, it illustrated that the owner-manager’s values (managerial characteristics) played a large part in how planning could shape up as well.

Interviewer: This question is about personal values. I think when we said 40:40:20 (percentage of time spent) right, so the 20 means your personal right? So, how much you value time, as your own boss? You have the pressure for performance, but you also have your own life and family, things like that. How do you balance the 2?

The Ferrari Salesman: The 20 percent, I can cover a lot of time on my own. Like, last time I give full 50:50. Lack a lot of enjoyment on myself, whole day slog, and very tiring. After I segregate this area, I travel more often, have my own time, can go my own shopping, go and enjoy nice food. Buy nice luxury cars. That is the value after so many years, then I realised if I had known this thing earlier on, I would have enjoyed it earlier on.

Interviewer: So I think now is a very different thinking? There is business to do, but want to enjoy from the hard work you put in.

The Ferrari Salesman: Same for my staff. I tell them I don’t want you to slog, must segregate yourself. If not, no life. I bring them for lunch. I also bring them for holidays.
Although the Ferrari Salesman did not appear to have a formal planning process in place now, he could continue to be effective simply by using his heuristic approach and applying the formal planning skills he acquired from the previous consultants. Also, he learned from his leading customers that work-life balance is important.

Table 8.8 shows that as the owner-manager placed more emphasis in innovation, he planned more formally and vice versa. This is in agreement with Mazzarol and Reboud (2009). However, there is no prior research other than Mazzarol and Reboud (2009) that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. Prior research on organisation and structure has been primarily concerned with those of the large firms (Daft, 2013). Therefore, it appeared to be a new insight into the relationship between evolution of structure and planning for the small firms.

8.5.5 Abstraction of arguments to answer RQ4

As pointed out by Mazzarol et al. (2009, p.326), even though owner-managers may plan informally, strategic thinking rather than formal planning should be employed for effective resource allocation especially in the scenarios of increasing product complexity or when more products are offered. Then, in agreement with Orpen (1985) and Lyles et al. (1993), the sophistication in planning and the contributions from outsiders would be beneficial especially for use in strategic decision-making. Thus, a formal strategic plan was deemed necessary and that outsiders were helpful albeit a strong preference for highly competent and committed consultants who could contribute to the formalisation of the firm’s growth strategy, management skills and innovative initiatives.

Thus, in a complex-uncertain task environment characterised by a highly turbulent task environment, and a complex, adhocracy structure, the owner-manager will focus principally on structured strategic planning.

8.6 Interim conclusion

By way of an interim conclusion, the antecedents to these owner-managers’ decisions that lead to their strategic and operational planning are crucial considerations in understanding how and why strategies were ‘formulated and implemented’ or
practised’. The cases support the typology proposed by Mazzarol and Reboud (2009) and further demonstrate the role played by EO and evolving risk perception in shaping the eventual plans.

The simple organisational structure of these firms reduces the overall level of complexity within the owner’s task environment and their boundary spanning with lead customers and key suppliers helps them moderate any perceived risk by obtaining information useful to their assessment of potential threats and opportunities. In most cases, the owner-managers’ perceived risks were moderated by external network of which exist long-standing social capital. That is, all important planning decisions made by any owner-manager incorporate collaborative input from within or without the firm. Also, the mind-set of the owner-manager, as evidenced by owner-manager ‘F’ may lead them to ignore or at least fail to assess potential risks due to indifference towards environmental volatility.

The remaining two research questions (RQ5 and RQ6) were answered using the tested Mazzarol and Reboud (2009) typology to further investigate the roles of risk perception and entrepreneurial orientation in influencing the small firm’s planning response.

8.7 Research question, RQ5

How does the RP of the owner-manager influence the decision in resource allocation for implementing strategic vis-à-vis operational plans?

According to Ireland et al. (2013), resources are inputs into a firm’s production process. These resources can be categorised as physical, human and organisational capital. The types of key resources that were referred to in this study are shown in Table 8.9 below with some details of their contributions.

While Table 8.9 shows a rather comprehensive list of resources associated with the small firms under this study, it is noted here that not all the resources were important or equally important to all firms. In fact, different firms viewed the importance of each resource differently. The categorisation of the type of planning was first assessed purely based on the author’s understanding of the motorcar industry and then corroborated during the data collection phase.
The risk perceived by the owner-managers evolved with what McCarthy and Leavy (1998) had labelled as intrinsic and extrinsic factors relating to the strategy formulation process. The intrinsic factors relevant to this study are the owner-managers’ characteristics, their past experiences and cognitive biases. Extrinsic factors, on the other hand, relates to the firm’s task environment, outsiders and its social capital. Discussions on social capital, cognitive biases and the role of outsiders were noted in sub-sections 8.2.1, 8.2.2 and 8.3.3 respectively. The following sub-sections will deal with owner-managers’ risk perception relating to their managerial characteristics, past experience and their ability to manage resources for both operational and strategic planning purposes.

Table 8.9: Types of resources and their contributions

<table>
<thead>
<tr>
<th>What/who contributes</th>
<th>What the contributions are</th>
<th>Primary contribution to planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders or owner-managers</td>
<td>Financial capital; tacit knowledge for decision-making</td>
<td>Strategic</td>
</tr>
<tr>
<td>Reputational resource</td>
<td>Social capital; goodwill</td>
<td>Strategic</td>
</tr>
<tr>
<td>Business consultants</td>
<td>Management knowledge including strategic planning</td>
<td>Strategic</td>
</tr>
<tr>
<td>Internet scanning</td>
<td>New technology and product</td>
<td>Strategic</td>
</tr>
<tr>
<td>Customers</td>
<td>Knowledge and competence – management skills and market information</td>
<td>Operational and Strategic</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Human capital; social capital</td>
<td>Operational and strategic</td>
</tr>
<tr>
<td>Employees and managers</td>
<td>Operational skills</td>
<td>Operational</td>
</tr>
<tr>
<td>Suppliers</td>
<td>New products; heads up on availability of human resource</td>
<td>Operational</td>
</tr>
<tr>
<td>Industry network partners (including friendly competitors)</td>
<td>Car inventory; market knowledge</td>
<td>Operational</td>
</tr>
</tbody>
</table>

8.7.1 Risk perception evolved with owner-manager’s prior experiences

Xie et al. (2011) examined entrepreneurial risk-based decision-making using systems dynamics analysis, and Podynitsyna, Van der Bij and Song (2012) examined the role
played by emotions on entrepreneurial risk perception. These papers support the work of Sitkin and Weingart (1995) that suggests risk perception among entrepreneurs is important to their risk-taking behaviour, and that risk propensity is not fixed but evolutionary, being shaped by their past experience. Krueger (1993) pointed out that past experience could influence the proclivity to act with a new entrepreneurial opportunity or strategy. The prior experience could be those gained by the owner-managers personally or through their social interactions with fellow entrepreneurs. The present findings are in agreement with the influence of past experience on risk perception as illustrated below.

Example 1:

Interviewer: *The question is how you get to understand what you need to know. For example, do you go through some business associates? For example, news on new car models? So that you can prepare [plan] yourself.*

Tech Salesman: *Personal experience and online search. For example in 2013, what new models come out or undergo facelift. We can check online. Most of the controllable stuff won’t have many changes unless C&C and German side that deals with Mercedes. At times if there are big changes such as in diagnostic tools, they will really change big things but they don’t really tell us. We have friends from C&C who have information from Germany. They are the main source of information and leak out information, renew new technologies to touch screen, etc.*

Software update and diagnostic tools are indispensable items for firm ‘D’ (Tech Salesman). By having special access to these resources, their operational risks reduced immensely. With ongoing building of social capital and mutual trust, the accessibility to key resources became more assured, the Tech Salesman felt they could control the situation better over time. Besides, these external contacts continued to keep firm ‘D’ updated on new developments of motorcar technologies and other information relating to those luxury cars that were of concern.

Example 2:

Duet Administrator: *…we can get a lot of feedback among the dealers, and also the car, also the distributors and all that, because people in the sales group will have friends everywhere as well, so we will have a good gauge how much COE will basically go up or drop, depending on whether the new car orders are coming in, and how it eventually affect used car prices, and all that, so we get pretty good forecasting on our own.*

Forecasting for COE bid price was a worrisome exercise for car dealers. If these small car dealer firms bid excessively high or low, they risk lower profits or reduced sales.
As the industry got more competitive, the margin for error became increasing smaller. Thus, the collaborative input from fellow dealers would go to a large extent in building their confidence on what bid price to put up in any upcoming COE bidding exercises which were to be administered by LTA (Land Transport Authority). In addition, the network of small firms could share their interpretations of policies from the governing authorities such as the LTA. Such a continual dynamic sharing of opinions and assessments of salient matters regarding the motorcar industry increased the confidence in the owner-managers that things are still within control.

8.7.2 Risk perceptions of the ‘dynamic’ versus the ‘static’ owner-managers were different: more dynamic, lower risk perceived; more static, higher risk perceived (the relationship direction was not confirmed)

There is no prior research that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. Support for the study findings were supported by the work of Mazzarol and Reboud (2009). It appeared to be a new insight into the dynamism of the owner-managers and relating the latter’s risk perceptions with their planning responses.

Table 8.10 below shows the key characteristics of the owner-managers as determined in the cross-case analysis. The resource management of each owner-manager had been assessed in the cross-case findings to be either ‘not at all’ (i.e., managing well) or ‘struggle to juggle’. Also, owner-manager’s profiles were discretely defined as only either ‘dynamic’ or ‘static’. The Tech Salesman, the Network Administrator and the Transition Salesman (owner-managers ‘D’, ‘J’ and ‘H’) were not classified in the cross-case findings with any defined category due to their in-between, undefined characteristic. For the purpose of the discussion here, they were labelled as “in-between struggle-to-juggle and not-at-all” category. As such, owner-managers ‘D’, ‘J’ and ‘H’ did not struggle to juggle with resource planning but at the same time, were not proficient at it. The assessments of risk perceptions were based on ‘snapshot’ scenarios at the point of data collection. In the present findings, firm ‘F’ (Contented Shopkeeper) was noted to be a possible outlier. Therefore, this firm was intentionally excluded from the following discussion.

Both the Ferrari Salesman and the Bosses’ Administrator were relatively knowledgeable and competent, managed their resources well and in a dynamic fashion. Also, both perceived the risks in the task environment to be relatively low and engaged in
relatively risky endeavours as evident by their aggressive growth strategies (e.g., franchising and recruiting sales-focused ‘bosses’). Incidentally, both the high EO owner-managers were creative and careful not to take risks indiscriminately. For example, the Bosses’ Administrator needed to be assured that any potential ‘bosses’ must fit into his firm’s culture. As for the Ferrari Salesman, he now strongly believed that his motorcar businesses cannot be steered by sheer intuition. Rather, he advocated that the use of business management skills and tools to assess opportunities and risks.

Table 8.10: Owner-manager’s profile-resource management

<table>
<thead>
<tr>
<th>Owner-manager</th>
<th>Profile-resource management</th>
<th>Risk perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>Static – Struggle to juggle</td>
<td>H</td>
</tr>
<tr>
<td>K</td>
<td>Static – Struggle to juggle</td>
<td>M</td>
</tr>
<tr>
<td>I</td>
<td>Dynamic – Struggle to juggle</td>
<td>M to H</td>
</tr>
<tr>
<td>E</td>
<td>Dynamic – Not at all</td>
<td>L</td>
</tr>
<tr>
<td>L</td>
<td>Dynamic – Not at all</td>
<td>L</td>
</tr>
<tr>
<td>D</td>
<td>Dynamic – ‘in-between struggle to juggle and not at all’</td>
<td>L</td>
</tr>
<tr>
<td>J</td>
<td>Dynamic – ‘in-between struggle to juggle and not at all’</td>
<td>M</td>
</tr>
<tr>
<td>H</td>
<td>Static – ‘in-between struggle to juggle and not at all’</td>
<td>M to H</td>
</tr>
<tr>
<td>F</td>
<td>Possible outlier – not in consideration</td>
<td>-</td>
</tr>
</tbody>
</table>

However, not all dynamic owner-managers coped well with resource planning. For example, the Duet Administrator struggled to juggle in a task environment perceived to be rather risky. Even though his knowledge and competent were above average, the planning response type was a mixed of those of the ‘salesman’ and the ‘administrator’. If this had been executed well, the firm would have arguably assumed the CEO type. Still, this was to be a case of poor management (or juggling) of the two planning response types. That is, the firm was neither a strong ‘administrator’ nor a prolific ‘salesman’. Thus, this should explain the poor resource management and ineffective implementation of the intended strategy. As an analogy, this is akin to the “stuck in the middle” situation according to Porter’s (1980) generic strategy framework.

For the Tech Salesman, the Network Administrator and the Transition Salesman (owner-managers ‘D’, ‘J’ and ‘H’), they straddled in between the ‘struggle to juggle’ and ‘not at all’ categories. There was no clear correlation among the three factors, namely, risk perception, the level of knowledge and competence, and the abilities to manage their resources. While all three factors were assessed to be of moderate levels,
their ratings varied in random manner. Therefore, the present findings for these three firms were inconclusive to provide any theoretical insight here.

On the other hand and on a more definitive front, the static owner-managers projected rather high risk perception levels regardless of their level of knowledge and competence. Generally, these owner-managers adopted a rather conservative attitude and perceived little need for innovation or entrepreneurial actions. They preferred a ‘follower’ approach by adopting strategies that had been successfully implemented by their competitors and peers. Comparing with the dynamic ones, these firms could be considered rather stagnant and laid-back. Instead of proactively planning forward to meet customers’ needs, these ‘static’ firms reacted only upon customers’ requests. Inevitably, no evidence could be found in any decent utilisation of resources such as capitalising on their rich experiences in this trade, huge social capital, or excellent relationships with customers.

The above explanation could be explained using the traditional causation theoretical perspective (Sarasvathy, 2001, 2008). That is, the owner-managers decide on a pre-determined goal based on certain external analysis and risk assessment, among others. Then, the perceived risk was theoretically argued to be influenced by a number of elements including intrinsic and extrinsic factors as suggested by McCarthy and Leavy (1998), and the effect of social capital and cognitive biases on risk perception by De Carolis and Saparito (2006). This linear process in understanding perceived risk and leading to observing how plans were implemented such as in exploiting entrepreneurial opportunities, would then be adjudged to be ‘dynamic’ or ‘static’ as the case may be.

However, based on the effectuation perspective (Fisher, 2012, p.1024), the relationship direction could be the reversed. In this case, the profile (dynamic or static) of the owner-manager (‘Who am I?’; ‘What do I know?’) could determine how much the owner-manager look at the means within his/her grasp to plan ahead (‘What can I do?’) wherein risks were then perceived before new means or goals are implemented. Thus, future research could be advanced from here to investigate the directional aspect of the relationship between risk perception and dynamic/static profile.
8.7.3: Risk perception varies inversely with the level of owner-manager’s knowledge and competence

There is no prior research other than Mazzarol and Reboud (2009) that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. Prior research had been primarily concerned with relating capabilities to the general management of the small firms (Scarborough, 2012) or new ventures (Timmons and Spinelli, 2009). It appeared to be a new insight into the role of risk perception.

The study finding depicted in Figure 7.12 shows the inverse relationship between risk perception and the level of knowledge and competence. The following two firms were highlighted to illustrate how this relationship relates to the planning response.

Owner-manager ‘E’ (the Ferrari Salesman) was rated high in terms of his level of knowledge and competence. The owner-manager was aware that the environment was changing yet he was confident that he could control things - thereby reducing both uncertainty and complexity - by securing critical information via informal networks. It was all logical from his perspective, but also very informal and while strategic in nature (hence the "salesman" focus), it was not structured and systematic as might be the case for a "CEO" planning response.

On the other contrasting end finds a relatively low level knowledge and competence owner-manager, the Perturbed Shopkeeper (Firm ‘G’) who perceived the task environment to be rather risky. Owner-manager ‘G’ are in fact a husband-and-wife team. On a macro level, both were rather receptive to the Government’s policies even though these had proven to affect them adversely. Given the potentially negative effects of the Government’s policies and their dismal outlook of the industry, all things seemed gloomed and doomed. Even with occasional show of enthusiasm such as in sourcing for cheaper overseas supplies, they continued to be generally inactive nonetheless. Then, by keeping things status quo, ‘shopkeeper’ became their preferred planning response.

As in sub-section 8.7.2, the explanation here assumed the causation theoretical perspective (Sarasvathy, 2001, 2008) to adjudge the owner-manager’s dynamic or static profile. In this case, the same could be explained from the effectuation perspective (Fisher, 2012), however, the approach to the planning activities would begin primarily from within by looking into what the owner-managers have had in possession to exploit going forward.
8.7.4: Risk perception varies inversely with the complexity of the firm’s organisational configuration

The study finding as depicted in Figure 7.13 shows that the perceived risk is inversely related to the structural complexity. This shows that by managing structural complexity appropriately owner-managers could mitigate their perceived risk. The ramification of this is that with a lower perceived risk, owner-managers can then engage in more risky projects that could be potentially beneficial.

Still, the empirical evidences in this study simply suggest that a simple structure could well be sufficient to deal with the environmental turbulence. That is for some, the simple structure might just be for sustenance such as case ‘D’ (the Tech salesman) and for others such as case ‘K’ (the Ethnic salesman), it was simply a choice to keep things simple. Yet for other owner-managers, the organic properties of a simple structure helped to build social capital, moderate heuristic biases, risk perception and be dynamic.

There is no prior research other than Mazzarol and Reboud (2009) that was identified in the small firm or organisational structure literatures that specifically addressed this finding.

8.7.5 Soliciting of collaborative input influences perceived risk

This appeared to be a new insight into the antecedent of risk perception. There is no prior research that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. Prior research has been primarily concerned with the importance of strategic network or outsiders but not specifically relating to the owner-manager’s capability of soliciting and exploiting the input.

This finding showed that input from outsiders as well as insiders were instrumental in shaping the eventual implementation of their business plans. The word ‘input’ refers to both tangible and intangible resources. The latter could be in the form of software, tacit knowledge, management skills and information relating to the macro environment. Also, the input can be from people within and without the firm, formally or informally communicated. The types of input and contributions of the key resources were depicted in Table 8.9 above.

The findings outlined in sub-section 7.2.3 of the previous chapter showed that the transitional activity (point ‘A’ of Figure 7.5) whereby soliciting input leading to the
owner-managers’ planning responses is important. But first, the following literatures provide some discussion on the importance of outsiders and insiders in contributing to planning. Supported by Table 8.11 below, previous literatures relating to collaboration or communication among owner-managers and outsiders are listed as follows:

- The need by small firms to seek informal support from outsiders (Cromie, 1991)
- Strategic network creates value (Jarratt, 1988; Street and Cameron, 2007)
- Small firms need to work closely with strategic network (Jennings and Beaver, 1997)
- Points of focus for outsiders in the four planning response types (Mazzarol and Reboud, 2009, p. 304)
- Owner-managers’ lack of skills in business planning requires consideration of input from others (Posner, 1985)
- Outsiders are useful to owner-managers to develop effective strategic planning (Robinson, 1982)
- Determinants of networking behaviour of small firms (Donckels and Lambrecht, 1997)
- The use of lead customers to help spot opportunities and shape future strategy (Choi and Shepherd, 2004; Mazzarol and Reboud, 2005)

Table 8.11: Owner-manager’s key collaboration activities

<table>
<thead>
<tr>
<th>Firm</th>
<th>From who/what</th>
<th>What was solicited</th>
<th>Value of solicitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>Key manager; fellow owner-managers, industry network, internet sources</td>
<td>Market trend (new product) and availability of software upgrade and diagnostic tools</td>
<td>High</td>
</tr>
<tr>
<td>E</td>
<td>Girlfriend; customers</td>
<td>Market analysis; management skills</td>
<td>High</td>
</tr>
<tr>
<td>F</td>
<td>Suppliers</td>
<td>Human resource (poaching from competitors); new product</td>
<td>Low to medium</td>
</tr>
<tr>
<td>G</td>
<td>Customers</td>
<td>Product issues</td>
<td>Low</td>
</tr>
<tr>
<td>H</td>
<td>Internet sources</td>
<td>New product or car model</td>
<td>Low</td>
</tr>
<tr>
<td>I</td>
<td>Fellow owner-managers, car dealers, distributors and friends</td>
<td>Market information</td>
<td>Medium to high</td>
</tr>
<tr>
<td>J</td>
<td>Field research, employees</td>
<td>Market information; operational issues</td>
<td>Medium to high</td>
</tr>
<tr>
<td>K</td>
<td>Fellow owner-managers, employees; industry network</td>
<td>Operational issues, market information; car sales</td>
<td>Low to medium</td>
</tr>
<tr>
<td>L</td>
<td>Fellow owner-managers, industry contacts</td>
<td>Market information; operational issue</td>
<td>High</td>
</tr>
</tbody>
</table>

Another form of input that helped in a planning response was those contributed by their fellow owners, managers or employees. Extant literatures as shown above concerned primarily with the role of outsiders and strategic networking rather than the role of
“insiders” in the studies on the small firms. The study results outlined in Table 7.4 and Table 8.11 were evident that collaborative sharing among insiders and not only outsiders were important antecedent to decision-making on planning by influencing the owner-manager’s risk perceptions that could have been conceived earlier.

Xie et al. (2011, p.85) noted on risk perception and decision-making:

“...the alteration of any entrepreneur’s decision-making can affect the perception situation, and then affect the other members’ perceptions, which will eventually affect the final decision of an entrepreneurial team.”

While Xie et al. (2011) suggests that prior experience influence the final decision of an entrepreneur due to the influence of earlier perceptions, this also points out that part of a decision-making process on planning might include collaborative input from working colleagues (fellow owner-managers or employees).

8.7.6 Planning response is not a function of only RP – managerial characteristics, organisational configuration and the volatility of the task environment are important!

Except for Mazzarol and Reboud (2009), there is no prior research that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding. This sub-section summarises the previous sub-sections to address research question, RQ5.

The findings depicted in Table 7.9 shows no correlation between RP and a focus on strategic/operational planning. Owner-manager’s dominant traits and personal value system play a significant role in the choice of planning response. The ‘shopkeeper’ preferred the status quo given their low-risk perception and live each day as it comes with a focus on operations. These firms approach their business with a stasis mind-set and potentially could exit from the firm at any time.

The more entrepreneurial owner-managers prefer to explore strategic planning to mitigate risks as well as to achieve its growth objectives such as the ‘salesman’ and the ‘administrator’. The latter has more focus on operational efficiency with its divisional structure whereas the former has its simple structure to facilitate its intuitive approach and networking initiatives. Owner-managers with a CEO planning response type attempt to implement its growth strategy via innovation and diversification. Such
owner-managers endeavour strategic transformation by being effective ‘salesman’ and ‘administrator’ concurrently.

Owner-managers would prefer operational planning when their level of knowledge and competence was low. This could be due to lesser number of years of formal education or that owner-managers were not keeping abreast with environmental changes. Understandably so since operational or vocational skills rather than strategic thinking skills were their core competence. However, owner-managers were aware of the importance of social capital and collaborative sharing to better manage and to navigate through the volatile environment.

For any weakness in dealing with strategic planning, the owner-managers could potentially learn from fellow entrepreneurs or outsiders. While owner-manager ‘E’ thought consultants provide value for an owner-manager like himself, all other owner-managers generally felt that consultants were not as capable to add value to their businesses. However, through observation or business consultants, the owner-managers still could at least learn to scan internally and externally for opportunities or threats.

The more dynamic owner-managers also perceived the task environment to be less risky. They were expected to be rather innovative and exploit any transitory opportunity for growth. Lastly, risk perception evolves with prior experiences, and so, planning responses need to evolve as well – whereby a congruence of EO, environmental and organisational factors are linked to the performance of the firm (Lumpkin and Dess, 1996; D’Ambiose and Muldowney, 1988).

8.8 Research question, RQ6

**Does the EO of the small firm moderate the owner-managers’ perceived risk? If so, how?**

Within the small firms it is the characteristics, personality and EO of the owner-manager that determines how they plan and respond to strategic change (Bracker and Pearson, 1986; Ennew, et al., 1994; Merz and Sauber, 1995; Frese et al., 2000; Messeghem, 2003).

The impact of EO is potentially huge because the planning response is dependent on the perceived risk (argued in sub-section 8.7.6) and other managerial characteristics such as
the level of knowledge and competence (argued in sub-section 8.7.3). Owner-managers with high EO are likely to “use biases and heuristics to substitute for real knowledge and competencies, which may lead them to make poor strategic decisions” (Mazzarol and Reboud, 2009, p.119). However, Messeghem (2003) pointed out that the planning becomes more formal when the EO of the top management team (i.e., owner-managers) is high.

8.8.1 Owner-managers with high EO are characterised by greater risk-taking behaviour as they seek to exploit perceived opportunities and search for growth – the need for strategic planning

Past literatures (Mazzarol and Reboud, 2009, pp.84-87) which either implicitly or explicitly acknowledged the importance of the entrepreneurial firms to adopt strategic planning response (formal or informal plans) included those by:

- Formal planning linked to fast growth firms and long-term planning (Upton et al., 2001)
- Sophisticated planning enhances performance (Yusuf and Nyomori, 2002)
- Fast growth firms will use planning tools (Woods and Joyce, 2003)
- Entrepreneurial firms more formal in planning and conservative firms less formal (Gibbons and O’Connor, 2005)
- Growth focused firms plan more formally (Richbell et al., 2006)
- Sophisticated planning higher in firms that are entrepreneurial in nature (Matthews and Scott, 1995)
- Strategic planning was beneficial for small firms (Schwenk and Shrader, 1993)
- Smaller firms benefit more than larger firms from a formal process of planning (Berman et al., 1997)
- There is a relationship between formalisation in planning and sales growth (Rue and Ibrahim, 1998)

Indeed, the results depicted in Table 7.9 and Table 7.10 confirmed that EO moderates the risk perception of the owner-manager and thus are in agreement with Mazzarol and Reboud (2009, p.118). When an owner-manager is highly entrepreneurial, his risk perception would be moderated such that higher risk projects become more attainable. But first, these firms might be more likely to engage in strategic planning as they venture into the uncertain task environment. Meanwhile, owner-managers with low EO were likely to exhibit low risk behaviour and thus more likely to engage in operational planning. That is, they were less inclined to engage in strategic planning behaviour.
The study findings showed that EO influenced the owner-managers significantly in whether or not to embark on a strategic plan. As the highly entrepreneurial Ferrari Salesman increased his knowledge in especially on how to grow his business, he traversed through the ‘administrator’ type to the ‘CEO’ stage as he relentlessly pursued his growth ambition. At the ‘administrator’ juncture, the Ferrari Salesman relied on sheer hard work and a divisional structure to grow. His leading customers convinced him to move on to focus on being strategic rather than operational. But he could not embark on any structured, formal strategic plan due to inadequate knowledge and competence to do so. Opportunistically, with the support of Spring Singapore (a Government Agency in support of SMEs), he moved into the realm of formal strategic planning for the very first time.

The Bosses’ Administrator demonstrated strong entrepreneurial traits and also aggressive performance-oriented behaviour. The study findings showed that the owner-manager was rather stretched and strained with his current available resources. It appeared that the firm would not be able to operate efficiently with increasing scale and scope just by utilising the current configuration and operationally focused plan. To grow, the Bosses’ Administrator should tap on his entrepreneurial qualities where the growth-oriented owner-managers were found to exhibit a stronger drive for proactively taking actions (Mazzarol, Reboud and Soutar, 2009) and move on to the ‘CEO’ formal planning type or at least the ‘salesman’ informal planning type. The latter was what he eventually did so.

From these discussions, this study found that there is a positive relationship between EO and risk-taking behaviour, and a negative one between risk perception and risk behaviour.

8.8.2 Dynamic owner-managers are characteristically more entrepreneurial than the static owner-managers who are likely to struggle with formal planning

This appeared to be a new insight relating to EO, dynamism of owner-manager and their planning response. There is no prior research that was identified in the small firm or entrepreneurship literatures that specifically addressed this finding.

Table 7.11 illustrates the traits of dynamic and static owner-managers with descriptions of the moderating effect of EO. Further to sub-section 8.7.2 that discussed on the risk-taking aspect of the owner-manager, this sub-section extended the discussion to include
the two other aspects of EO which are innovativeness and proactiveness. Miller (1983) pointed out that these three dimensions together need to co-vary positively in an entrepreneurial behaviour. Both the Ferrari Salesman and the Bosses’ Administrator were entrepreneurial. This was ascertained by using the moderated EO survey to corroborate with real-life events. For example, the Ferrari Salesman invented new cleaning product and the Bosses’ Administrator created innovative business model.

On the other hand, the static owner-managers had lower EO level. They tended to be reactive to market forces with less noticeable innovative and risk-taking behaviour. In agreement with Hornaday (1990) that these were characteristically craft owner-managers who operated the firm in a manner to suit their preferred lifestyle. Their lower level knowledge and competence posed challenges to formal strategic planning. Still, they could rely on their heuristics and biases to react intuitively. However, their lower EO means that more information would be needed to plan (Mazzarol and Reboud, 2009, p.138). Since these owner-managers are less active in social networking which was a key source of information, formal planning was challenging for the static owner-managers, not to mention the more demanding management of strategies.

8.8.3 The effect of social capital and cognitive biases moderated the risk perception of the entrepreneurial cum dynamic owner-managers through collaborative input

Sub-section 8.2.1 discussed about the importance of social capital, an exogenous factor that could impact both the formulation of strategy (McCarthy and Leavy, 1998) and the mitigation of environmental uncertainties. De Carolis and Saparito (2006) suggest that entrepreneurs’ risk perceptions could be influenced by their social capital and the latter’s effect on cognitive biases as deliberated in sub-section 8.2.3 above. In addition, Simon, Houghton and Aquino (2000) suggested the influence of cognitive biases in mediating entrepreneur’s risk perception that is associated with exploiting an entrepreneurial opportunity. Also, sub-sections 8.7.1 and 8.7.3 discussed on how past experience and level of knowledge and competence influenced risk perception.

Mazzarol and Reboud (2009, p.122) pointed out that “past experience may be influenced by the tendency of entrepreneurs to attribute any failures to external factors rather than poor decision-making by them”. Put together, the dynamic cum entrepreneurial owner-managers appeared to place significant importance on collaborative input for making decisions as their risk perceptions evolved through the
dynamic process of modulating shared inputs. Furthermore, to substantiate the importance of collaborative input for decision-making, Fisher (2012) highlighted the importance of taking “action in the entrepreneurial process” by “being active community builders”. This suggests that owner-managers could potentially be more entrepreneurial by working closely with lead customers and key suppliers, using their feedback to identify opportunities, to improve upon managerial skills and finally, using their word-of-mouth promotion to their favour.

8.8.4 Risk perception influences the risk and uncertainty trade-off for owner-managers – mixture of traits: “owner” versus “entrepreneur”

Sub-section 8.2.5 above pointed out that the dominant traits of owner-managers influence planning. Specifically, the findings indicated that owner-managers with primary owner trait preferred unstructured operational planning. On the other hand, the owner-managers with entrepreneur trait appeared to be comfortable with strategic planning.

As noted in the literature review part of this thesis, owner-managers have potentially a mixture of traits of both an “owner” and an “entrepreneur”. In this study, the primary trait of either one was recognised by noting the level of EO of each owner-manager and also the definition of the owner-manager’s primary trait according to sub-section 8.2.5 above. The study findings are in agreement with Alvarez and Busenitz (2001) and Loasby (2002) who noted that non-entrepreneurial (using low EO as a measure) and entrepreneurial decision-making tend to take place under conditions of risk and uncertainty respectively.

Tables 8.12 and 8.13 below provide some illustrations of how decision-making can be less than certain (Alvarez and Barney, 2005, p.778) as a result of the composite traits. Thus, the study findings are in agreement with Mazzarol and Reboud (2009) in that the risk perception influences the “risk” and “uncertainty” trade-off for owner-managers and subsequently, on their planning response behaviour.

<table>
<thead>
<tr>
<th>Firm</th>
<th>EO</th>
<th>Deciding under the conditions of uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>M to H</td>
<td>a) Did not expressed much concern with the potentiality of Mr Lek (an important manager) being ‘poached’ by other companies - high risk situation. No specific action was taken to address this issue.</td>
</tr>
</tbody>
</table>
b) Acknowledged that changes in the technology of cars and thereby the need for more updated diagnostic tools were risks of concern. But no specific action was taken to ensure these risks were addressed. Owner-managers were assuming that the key contacts at the car distribution companies would continue to provide the support. Instead, upon their own assessment of trending up of COE prices, the firm opted to recruit more employees in anticipation of greater business volume going forward. As noted previously, bidding (bid price) of COE was a highly uncertain event.

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a) To franchise his internally developed car grooming product would be considered high-risk endeavour by many industry players who tended to be more of ‘follower’ or ‘laggard’ minded. He adopted a ‘go for broke’ attitude in his business approach which could be seen as highly risky by lesser entrepreneurial owner-managers. However, he had perceived all these as relatively low risks decisions within a highly uncertain task environment.

b) The manner he had managed the environmental uncertainties was to use his high level of knowledge and competence in the car industry and ensured that his diversified businesses (car washing, car spare parts, car detailing, car grooming products, etc.) had either strategic links among their activities or target similar market segment to reap economies of scale and scope benefits.
the owner-managers did not specifically deal with them. Examples of relevant uncertainties were the rapid technological changes in their product and also the potential ramifications of the uncertain COE bid prices.

<table>
<thead>
<tr>
<th>G</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The owner-managers were primarily concerned about sustenance and rather reactive to the uncertain task environment. The decision to reduce the number of employees was a risk-reducing one to ‘cut loss’ or to reduce the costs of operation.</td>
<td></td>
</tr>
<tr>
<td>b) There was no motivation shown to scan the environment for opportunities. They simply let the uncertain environment dictated their next move to reduce business risks. Should this spiral downward approach were to continue (in ways to reduce business risks), it could potentially lead to the firm’s demise.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H</th>
<th>M to L</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The owner-manager was explicit in mentioning that overseas suppliers are more risky to deal with as compared to the local suppliers. This was clearly a decision based on risk.</td>
<td></td>
</tr>
<tr>
<td>b) However, the local suppliers were also subjected to the similarly uncertain task environment as themselves to a certain extent. This was not clearly taken into consideration in their said preference for the local suppliers.</td>
<td></td>
</tr>
</tbody>
</table>

**Certain – Uncertain event:**

The bidding of the COE could be construed as a ‘certain and yet uncertain’ event. This is because on the one hand, there was information given by LTA (such as the COE quota to be released) that could aid the car dealers in forecasting the COE bid price. Also, the collaborative sharing provided some level of confidence to owner-managers with regards to environmental changes, e.g., in the bidding of the COE. On the other hand, the unpredictability of the eventual bid prices that were observed over the past years made this event a rather uncertain one. Podoynitsyna et al. (2012, p.134) made the following observation regarding such an event:

"Whenever entrepreneurs feel that a certain event is both certain and uncertain, or both controllable and uncontrollable, such feelings make the entrepreneur's perception of risk greater than it would be otherwise resulting in more conservative risk taking (Sitkin & Weingart, 1995)."

The case in point is the Network Administrator whose moderately high EO means that he was expected to be risk-taking according to the discussion given in sub-section 8.8.1 above. However, the decision to collaborate with a large government-owned firm to
provide after-sales service was an indication that the owner-managers were not taking too much risk. This is because the common practice in the industry was to engage a small firm to do the above said outsourced activities. These could be done at a lower cost but at a higher risk since the smaller outsourced outfit was not expected to be as reliable as their larger counterpart.

8.9 Summary

The answers to the research questions have been addressed in this chapter using the findings which have been grounded using past research literature whenever possible. In the next chapter, it is to confirm that the research questions have been fully answered. Also, the next chapter will outline the contributions to knowledge and practice. Finally, the limitations of the research are discussed together with recommendations for future research.
Chapter 9: Conclusions

9.1 Introduction

The aim of this chapter is to summarise previous chapters and conclude that this study has made a distinct contribution to the research knowledge. This study addressed the research gap in two parts with all the six research questions successfully answered. The ‘first’ part of this study addressed research questions, RQ1 through to RQ4 which were aimed at validating the Mazzarol and Reboud’s (2009) typology. The findings fully supported this typology.

The ‘second’ part of the study aimed to utilise the posteriori tested typology to answer research questions, RQ5 and RQ6 for the purpose of making further theoretical contributions. In this connection, the findings suggest a theory of how collaborative activities form an important part of a decision-making process for the owner-managers. Also, two conceptual constructs (i.e., the “dynamic” and “static” owner-managers) were abstracted from the cross-case analysis. A discussion on the extent of the analytical generalisation that could be achieved along with the theoretical and conceptual contributions of this study is also given. Besides, this chapter concluded with some suggestions for further research and how the research knowledge could be applied.

The Introduction chapter provided an overview of this thesis. Here, the research gap was clarified and the justification of this study was deliberated. Chapters 2 and 3 provided extensive reviews of existing literatures on concepts and theories relating to the small firms. Guided by these reviews, the thesis justified that the roles of RP and EO of owner-managers played an important part to an eventual planning response. The extant literatures also suggested the importance of social capital especially those of the outsiders in how owner-managers decide in their planning response. More specifically, this study found substantial dynamics between RP, EO and the contributions of these outsiders that influence owner-managers’ strategic decision-making. This confirms the value contribution of this study in addressing the knowledge gap on understanding how this dynamics influence planning response.

Yin (2014, p.163) suggests investigating into potential phenomena between ‘boxed’ activities within a research framework. In response, this study investigated the collaborative (input) activity as the transitional activity between RP and planning
response by assuming that the latter is not simply a direct cause-and-effect step from RP to planning. This led to the development of this study’s research framework that was guided by Mazzarol and Reboud’s (2009) research propositions. The resulting research framework is shown in Figure 4.1 where the transitional activity is termed as ‘owner-manager planning decision’. This conceptual framework and its associated research questions provided the basis for case selection, data collection, and analyses.

Chapter 4 justified the use of the multiple case studies method and the critical incident technique (CIT) with a longitudinal approach. This chapter also outlined the justifications on the use of the Singaporean motor vehicle industry as the contextual framework in this study. The philosophies governing data collection design and data analyses were discussed in preparation for the next phase of this study. The details of the data collection strategies were explained in Chapter 5. In the latter chapter, the aims and purposes of the required evidences were also outlined. Also, preparation work such as the development of the case study protocol was suggested. Chapter 6 outlined Yin’s (2011) approach that was adopted to analyse qualitative data. Also, the general analytic strategies and logics were explained and justified here. Chapter 7 outlined how the data were analysed. This included the coding, within-case and cross-case analyses. NVivo v.10 data management software was used to manage the data and the coding exercises. Chapter 8 detailed the analyses of the findings linking to the research questions. The research results were reflected against existing literatures. The current chapter summarises all preceding ones.

9.2 Review of findings

This section aims to provide a synthesis of the answers to each of the six research questions.

RQ1: In a simple-certain task environment characterised by a relatively benign environment and a simple structure, will the owner-manager focus principally on unstructured operational planning such as fine tuning of their businesses?

Yes, the ‘shopkeeper’ owner-managers will likely to do so especially the ‘static’ ones. However, the more ‘dynamic’ and entrepreneurial owner-managers tend to be more forward-looking. These are the ones who are more ready to work on a strategic plan whether an informal or even a formal one. The ‘static’ shopkeepers may struggle to
juggle with resource planning even though their focus is only on the operational issues. The simple structure facilitates boundary spanning activities with outsiders whose knowledge and information helped in mitigating perceived uncertainties and risks nonetheless.

RQ2: *In a simple-uncertain task environment characterised by a relatively turbulent environment and a simple structure, will the owner-manager focus principally on intuitive strategic planning such as market development?*

The ‘salesman’ owner-managers will likely do so indeed especially with a view to enlarge its market. When the small firms become more concerned with key exogenous environmental factors and growing uncertainties, owner-managers may be led to focus on strategic planning or thinking to grow their business. While the simple structure could help to mitigate environmental uncertainties as in the case of the ‘shopkeeper’, these owner-managers needed to do more to address the greater level of uncertainties. The findings suggest that increasing the owner-managers’ knowledge and competence appeared to be effective in this respect. Still, the approach to enlarging their market may be intuitively manoeuvred.

RQ3: *In a complex-certain, relatively benign task environment characterised by a higher concern on operational efficiency over external environmental issue and a complex divisionalised structure, will the owner-manager focus principally on structured operational planning such as operational efficiency?*

Indeed, the ‘administrator’ owner-managers will likely do so especially when the simple structure could not effectively administer the increase in the increasing scale and scope of operations. This planning response is conceivable when the ‘dynamic salesmen or shopkeepers’ focus on expanding the business to tap on diversified markets opportunities. Such a planning response type may be warranted when their business activities reach a point whereby the increased in administrative overheads hamper overall efficiency to a point that could potentially counter firm’s growth. The divisionalised configuration as compared with the simple structure is theoretically not as organic. However, this configuration would appear to be a compromise in order to assume arguably better control and overall efficiency.

In any case, increasing the scale and scope of operations would likely increase the uncertainties and risks. To mitigate these issues, the role of the ‘administrator’ to perform key boundary-spanning activities within and without the firm will become
more important. As evident in the findings, all the owner-managers, whether ‘static’ or ‘dynamic’, ‘administrator’ or otherwise were active in collaborative boundary-spanning activities. The latter formed a key part of the overall planning initiatives to derive greater confidence in their plans at the very least.

**RQ4:** In a complex-uncertain highly turbulent task environment, and a complex, adhocracy structure, will the owner-manager focus principally on structured strategic planning such as strategic transformation?

Yes, the ‘CEO’ owner-managers will potentially do so albeit outsiders’ help would be needed. Owner-managers that practice the ‘CEO’ planning would appear to go against their ingrained ‘street-smart, operationally skilled’ disposition. Due to a lack of formal education, such owner-managers in general will find formal planning beyond their ability to do so. However, like the ‘salesman’ owner-managers, they could be intuitively strategic with a high propensity to be informal in their planning methods. It appeared difficult for these owner-managers to acknowledge the value of formal strategic planning in an uncertain environment. However, the findings showed that the ‘dynamic’ rather than the ‘static’ owner-managers would be more likely to take heed of the outsiders’ strategic advice. Still, this is by no mean an easy thing to do even for the more entrepreneurial owner-managers.

Strategic transformation means that the ‘CEO’ owner-managers would need to inculcate a culture of flexibility and adaptability within the firm to achieve long-term goals. This should include generating new innovative processes or products that could help to position the firms to tap on opportunities now and beyond. Outsiders with specialised technological or business knowledge could contribute significantly to the typically hands-on ‘CEO’ owner-managers. From the findings, it appeared that the adhocracy organisational structure makes sense in terms of facilitating innovative activities and interactions between the firm, internal and the task environment.

**RQ5:** How does the RP of the owner-manager influence the decision in resource allocation for implementing strategic vis-à-vis operational plans?

Put simply, the findings show negative relationship between risk perception and risk behaviour and that high perceived risk translates to the need for strategic planning to mitigate it. Also, low risk perceived would lead owner-managers to maintain its propensity for operational planning.
The findings confirmed that risk perception evolves with owner-manager’s prior experience. This means that potentially owner-managers who previously had bad experiences in implementing strategic plans may become less receptive to such plans going forward. The case in point is owner-manager ‘E’ as described in the findings. Therefore, it is rather important that owner-managers are provided with sufficient support to successfully implement any form of strategic plan.

The ‘static’ owner-managers versus the ‘dynamic’ ones tended to perceive higher environmental risk. This potentially results in these owner-managers having to avoid projects that the ‘dynamic’ owner-managers would gladly seize. Moreover, their conservative approaches will mean that these ‘static’ owner-managers could only rely on their operational skills to achieve any degree of growth. Human capital management will then become even more crucial for survival at the least. The risk of attrition especially of key workers could prove detrimental to the small firms. In terms of resource planning, this could be due to the potential loss of knowledge and competence that are deemed valuable to their customers and not just to the firm itself. Even though when ‘static’ owner-managers perceived high risks during their day-to-day operations, they maintained a confident posture in almost any scenario.

Collaborative behaviour was found to mitigate perceived risk. Whenever owner-managers solicit knowledge from various sources (employees and outsiders), they tended to perceive lower risk in the uncertain environment. This knowledge could be something relating to a new product, technology, market or human resource matters. The findings could not ascertain how much of the collaborative knowledge were taken into consideration in planning decision. Still, the collaborative input appeared to give the owner-managers a high degree of confidence in their resource planning going forward.

**RQ6: Does the EO of the small firm moderate the owner-managers’ perceived risk? If so, how?**

The findings confirmed the positive relationship between EO and risk-taking behaviour. The more entrepreneurial owner-managers were more receptive to strategic thinking and planning. ‘Dynamic’ owner-managers were characteristically more entrepreneurial than the ‘static’ owner-managers who were noted to possess lower EO level. The lesser entrepreneurial firms were less active in building social capital that eventually led to lower level knowledge and competence. Then, this led to the owner-managers to
continue with operational planning as a safer bet. After all, strategic planning was deemed unnecessary.

9.3 Theoretical and conceptual contributions

The academically related contributions are summarised in two separate sub-sections below with headings shown as ‘theoretical contributions’ and ‘conceptual contributions’.

9.3.1 Theoretical contributions

The validated Mazzarol and Reboud’s (2009) planning response typology is a significant contribution to the theoretical foundations of small firms’ research relating to the strategy of the small firms. Categorically, the typology could provide guidance to academics and practicing managers alike on the expected or preferred planning response circumscribed by a given set of conditions. Further research could be carried out linking the owner-managers’ characteristics with the value of planning in uncertain environments. For example as applied in this study, the validated typology was used to study the roles of RP and EO in the small firm’s planning response (RQ5 and RQ6).

The extant literatures on strategic network and entrepreneurial decision-making were found to focus on social capital and cognitive biases. These literatures reinforce the importance of collaboration and strategic networking activities for both owner-managers and entrepreneurs as highlighted in this study. In agreement, the study found that owner-managers routinely solicit pertinent information in the motor vehicle industry and also within the firm to keep themselves abreast of specific key management areas. The resulting collaborative input influences risk perception of the owner-managers to perceive risk differently. The collective input appeared to give owner-managers greater confidence in strategic planning going forward. To my knowledge, no literature recognises the collaborative input (internal and external to the firm) as an intervening point between RP and a follow-up action/decision such as on resource management. Therefore, another theoretical contribution of this thesis is that it generated and refined the decision-making process to include strategic collaboration (input) activities.

The following are two examples of how collaborative (input) decision-making process can be applied in a research framework. First, the collaborative input helps in studying
the exploitation of entrepreneurial opportunities in a model proposed by De Carolis and Saprito’s (2006). This could be moderated as shown in Figure 9.1 below with the introduction of the mediating collaboration activities.

**Figure 9.1: De Carolis and Saparito (2006) with modifications**

![Diagram](image)

Similarly, McCarthy and Leavy’s (1998) framework could include the collaboration activities in the realised strategy in a modified model as shown in Figure 9.2 below.

**Figure 9.2: McCarthy and Leavy (1998) with modifications**

![Diagram](image)

9.3.2 Extent of generalisation

First, Eisenhardt (1989) suggests that case studies can be a useful tool for theory building. Multiple case study design has also been recognised as allowing greater power for theory building and enhanced robustness (Herriott and Firestone, 1983; Yin, 2013). As informed by Yin (2014), this study capitalised on the strength of the case study method to scrutinise the likely interactions or interventions between each case and its contextual conditions. In view of the complexity of the multiple interventions among the variables considered within the D’Ambiose and Muldowney’s (1988) framework, the use of the case study method could be justified (Yin, 2013) to extend the generalisation argument.
Yin (2013) pointed out that the complexity of the interactions was not simply a matter of looking at the number of variables but in totality which means high causal density is essential. Drawing from Woolcock (2013, p. 237-39) to assist in substantiating the high level of causal density as argued in this study, the following points were noted:

- The number of required person-to-person transactions was high judging from the large number of interactions among the owner-managers with their internal staff as well as with outsiders
- There were clear evidences of a high degree of discretion by the owner-managers to make front-line decisions
- There was consistent pressure for these owner-managers to respond to rather uncertain conditions.

Second, the following case selection criteria and contextual factors framed the following conditions for generalising the findings.

- Definition of the small firms: The cases that were selected were based on Mazzarol and Reboud’s (2009, p.3) definition of the small firm. The emphases are on the control of the firm and the entrepreneurial nature of the owner-managers. The ‘entrepreneurial nature’ is akin to the intuitive behavioural aspect of the owner-managers. The ‘control’ portion speaks more of the ‘owner’ trait within them. However, the small firm as defined in this thesis is not to be confused with the ‘small firm’ category commonly found in various institutions. For example, the OECD’s (2010) definition of the ‘small firm’ states that the headcount should be less than 50 and assets or turnover of less than US$10 million. Yet, this definition could be different from respective nation’s institutional interpretation. The conceptual definition used in this thesis is different from those rather quantitative-based definitions that use headcount and financials.

- The vehicle ownership system: The government and its control over the bidding price indirectly contributed to an ‘uncertain-certain’ environment which formed the macro context of this study. This potentially limits how much the generalisation can go from the viewpoint of the crucial role played by the government in forming part of the environmental context.

- The industry trait: It had been a common practice for the small firms to communicate actively within the motor vehicle industry. This may or may not be a result of the benefits of collaborative sharing whereby the industry stakeholders saw that as a mean to moderate risk and uncertainties. Other industries may have other more effective means to moderate risks. That is, not all industries may exhibit such norms. Thus, it
should be appropriate to take this into account when considering the collaborative (input) decision-making in a research framework.

- Theoretical sampling: The study’s cases were specially selected to answer the research questions.

Third, the research framework and discussions were closely connected to seminal literatures as explained in the thesis. Existing literatures recognise that risk perceptions are driven by innate cognitive interpretation processes that affect people in how an individual frames and assesses a situation. For example, the Prospect Theory suggests that people’s risk perception applies to people in general. These literatures do not specifically deal with issues relating to differences in RP due to differing geographic locations or industry sectors.

As such, risk perception deals primarily with the riskiness of a decision that could be associated with any industry. Sitkin and Pablo (1992) suggested five determinants of risk perception. One of which is the ‘social influence’ which actually lends its support to the significance on this study’s findings on the collaborative input. Also, the other four determinants relate largely to internal issues which have little to do with the types of industries or the task environment in general. Considering the above, the findings are highly generalisable to most sectors.

On the other hand, it is plausible that cultural norms may condition people to perceive risks differently. For example in the area of creativity, people in different cultures may have different perceptions of what constitutes creativity (Paletz and Peng, 2008; Bechtoldt, et al., 2010; Morris and Leung, 2010).

Also, as informed by Bennett (2004, p.50), an ideal generalisation should not only be extended to other ‘like’ cases but also ‘apply to many different types of cases’. In this connection, future research could extend the present study into other industries and countries.

9.3.3 Conceptual contributions

(i) ‘Dynamic’ and ‘Static’ and ‘struggle to juggle’ and ‘not at all’ owner-managers

(ii) Collaborative capability

(i) From the cross-case analysis, one conceptual finding relates to the two categories of owner-managers, i.e., “dynamic” and “static”. These two categories of owner-managers
were found to be associated with their risk perceptions, innovativeness and abilities to plan in uncertain times. Further research could build on the understanding of these categories of owner-managers and apply it to other areas of entrepreneurship or strategy management studies such as to link to the performance of the small firms, or to the innovativeness of the firm. A summary of the characteristics of these owner-managers is given in Table 9.1 below:

### Table 9.1: Comparison between ‘static’ and ‘dynamic’ owner-managers

<table>
<thead>
<tr>
<th>‘Static’ owner-managers</th>
<th>‘Dynamic’ owner-managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status quo approach to changes in the task environment</td>
<td>Adaptable to changes in the task environment</td>
</tr>
<tr>
<td>Rely on business acumen built up over the years</td>
<td>Highly entrepreneurial – innovative, aggressive, proactive</td>
</tr>
<tr>
<td>More operationally focused</td>
<td>More ready for strategic planning</td>
</tr>
<tr>
<td>Laid back, inactive disposition</td>
<td>Energetic, on-the-go disposition</td>
</tr>
<tr>
<td>Conservative</td>
<td>Opportunistic</td>
</tr>
</tbody>
</table>

Besides the above, two other concepts were found to be performance-related. The ‘not at all’ owner-managers were highly successful in managing their resources and had a more future-oriented perspective of their business and personal life. Even though the task environment could be volatile or uncertain, they seemed to be in control of things and were highly confident in managing risks. On the other hand, the ‘struggle to juggle’ owner-managers were quite the opposite. They struggled with how to best utilise their resources even though they were operationally competent. Their performance, satisfactory or not, seemed to be attributed to the element of ‘luck’ rather than through good planning. Even though they appeared to be insightful into the rather uncertain industry, they were far too risk-averse to tap on even any transitory opportunity. Also, they appeared not to be able to envision and uninterested about planning for the future.

(ii) The importance of the collaborative behaviour that was discussed earlier gives rise to the concept of collaborative capability. This capability relates to the ability of the owner-managers in exploiting the information and competence from outsiders and employees. An initial definition of the collaborative behaviour should include some of the following elements:

- Proactive soliciting for knowledge and competence
- Sharing involving multiple persons
- Collaborative mindset
Owner-managers may or may not agree with the content of the sharing but soliciting and processing of the input is crucial

Exploit the input for making a decision

Further research could focus on the contributions of this capability to the small firm. For example, how the capability (or absence of) could lead to specific planning actions. Furthermore, this capability could be investigated for their potential contributions to the firm’s competitive advantage.

9.3.4 Rival explanations and effectuation theory – emergent findings

Two plausible rival explanations that were closely examined were ‘market orientation’ and the ‘strategy-as-practice’ perspective. The former was investigated at first because it was found during the literature review and data coding stages to have ample data supporting its effect on the owner-managers’ planning response. However, the findings confirmed that ‘market orientation’ was a weak rival. On the other hand, the notion of ‘strategy-as-practice’ perspective rather than ‘strategy-as-content’ approach was eventually found to be appropriate to describe the strategy of these small firms. This perspective is congruent with the use of effectuation theory to explain the small firm’s planning process, in particular for cases like E and G (the Ferrari Salesman and the Perturbed Shopkeeper).

9.4 Methodological contributions

Most prior leading publications in the field of entrepreneurship had been cross-sectional in nature (Ireland et al., 2005; Bouckenooghe et al., 2007). These studies focused on external validity. Mazzarol and Reboud (2009, p.42) noted that even those who adopted the longitudinal methodology in strategic management research were found to have internal validity issues and also insufficient control over the selection of cases (Bergh et al., 2004). Moreover, there were potential threats to internal validity in many of the cross-sectional studies (Bergh et al., 2004 as cited in Mazzarol and Reboud, 2009, p.42). The research design of this study addressed these validity as well as the reliability issues as described in earlier chapters.

In line with Bouckenooghe’s et al. (2007) and Mazzarol and Reboud’s (2009) calls for more longitudinal studies employing more triangulation and analytical techniques, this study incorporated three pilot studies (triangulating significant events), nine main case
studies and employed critical incident technique (CIT) in the data collection proper. To my knowledge, there was no publication in any strategic management or entrepreneurship research that employed CIT within a longitudinal study. The use of CIT was particularly useful to probe into risk-taking and entrepreneurial behaviour of the owner-managers. In particular, it was helpful to allow researchers to identify any potentially significant antecedent with an open mind rather than to simply assume a direct effect from RP to planning response or entrepreneurial behaviour. For example, the collaborative input using CIT were found to be crucial in influencing the owner-managers’ decision-making in planning. The CIT was also useful as part of a process to identify or refute plausible rival explanations as illustrated in this study.

The result of applying CIT in the case interviews means that both the micro- (strategy-as-practice) perspective; and the macro-activities and structures (the strategy-as-content or process strategy) perspective could be integrally investigated. Thus, this offers a new epistemological approach to theorising strategy for the small firm.

9.5 Applied contributions

The contributions to practice are discussed in the following sub-sections described under ‘implications for policy makers and management consultants’ and ‘implications for the owner-managers (and entrepreneurs)’.

9.5.1 Implications for the policy makers and management consultants

The findings show that improving upon the owner-managers’ level of knowledge and competence could help them to be more receptive to strategic planning. Any institution that is involved in developing SMEs could take this into consideration when addressing consulting or funding needs. Also, their dominant trait should be taken into consideration. That is, the owner-managers should be assessed for their inclination to behave like an owner or entrepreneur, or if they show the more dominant ‘dynamic’ or ‘static’ traits.

Management consultants should recognise that tools utilised in formal planning may appear too sophisticated for the less learned owner-managers. Owner-managers routinely use intuitive ways to plan and in rather informal manner. Then, the implication is that management consultants should learn how to work closely with
owner-managers to weave in their analysis with the owner-managers’ heuristics approach by taking into consideration their EO and evolving risk perception. Still, management consultants should be actively involved in realising the implementation of their proposed strategies.

9.5.2 Implications for the owner-managers (and entrepreneurs)

Owner-managers and entrepreneurs should be informed of the ramifications of their weaknesses (‘blind sides’) such as in both strategic planning and business analytics. Also, they should know how these weaknesses could potentially make them to put more attention to operational planning. For example this thesis confirms that the owner-managers’ austere background and their typically lower level of knowledge and competence influence their propensity to focus on operational issues rather than strategic planning. The overall findings could inform owner-managers on how they decide in the deployment of resources in consideration of the pertinent management-social-environmental factors discussed in this thesis.

This thesis also confirms that the simple structure facilitates the building up of social capital through boundary-spanning activities. The latter could cause the owner-managers to perceive the task environment to be less uncertain and risky than it actually is. The implication of this is that owner-managers need to recognise the need for a more balanced view of their situation – to employ analytics to countercheck on their cognitive biases and heuristic approach.

9.6 Limitations of the research

The EO level, ‘measured’ qualitatively and substantiated by a questionnaire, was noted at the time of the interview. This means that the EO was assumed to be constant during the period (years 2008 to 2013) under investigation.

Conceptually, the EO scale was developed as a measure of entrepreneurial orientation within organisations. It is appropriate to use it as a measure of the individual owner-manager's orientation because in the small owner operated business, the individual and the business are not easily separated. However, other researchers may be more stringent with regards to this.
The level of knowledge and competence was qualitatively assessed. A questionnaire or other quantitative method would add to a more reliable assessment.

The interview approach was retrospective in nature and required the owner-managers to recall past events. The accuracy of the recollection had been assumed since the memories may have become distorted over the passage of time. This is not a significant limitation since the pilot study served to ensure that the major events (e.g., the bid price of COE) to be recalled were significant enough for recollection.

9.7 Areas for future research

The longitudinal approach for this present study was beneficial in view of the agility of owner-managers to fluidly change plans. As suggested by Mazzarol and Reboud (2009, p.47), the longitudinal method could overcome some limitations of studying the relationship between planning and performance using the cross-sectional approach. The work by Mazzarol et al. (2009), Pelham and Clayson (1988) and Rice (1983) could be further utilised to study the value of formal planning. Specifically, new longitudinal research study could investigate the value add (positive or negative value) when firms switch from informal planning to formal planning and vice versa. Such a research could inform owner-managers to consider whether or not to alter their formality of planning in view of the potential value add to their firms. After all, the process to change planning formality is not straightforward. As noted by Thurston (1983) cited in Mazzarol et al.’s (2009, p.324), suggesting:

‘the key was not whether a business engaged in formal planning, but senior managers’ administrative styles and abilities, the complexity of the business and the strength of its competition, uncertainty in the environment, the cost-benefits of planning and the senior management’s expertise in developing and implementing formal plans.’

The case in point is firm ‘E’ (the Ferrari Salesman) whereby the change from formal to informal planning did not negatively impact the firm even though one could argue that he might have performed better if he had stayed on with formal planning. On the other hand, firm ‘E’ benefitted significantly from management consultants earlier on through learning the process of formal planning when planning became more formal.
This study had assumed that the EO level of the owner-managers remained rather constant during the period (2008 – 2013) under investigation. A quantitative study with a longitudinal approach is recommended to measure the potential changes in EO using validated scales. Also, the EO level of the owner-managers had been used as the proxy of the EO of the firm. While this is reasonable as argued earlier, a measurement of the EO of the firm and that of the owner-managers could serve to justify this assumption. The present study judged the level of knowledge and competence qualitatively. The assessment could be extended by developing a validated scales and triangulate the qualitative assessment with the quantitative measurement.

This study outlines a decision-making model (Figure 4.1) that includes the collaborative input. This model would benefit from further development by studying the capability relating to collaboration and the value of such capability such as to link it to the performance of the small firms or its competitive advantage.

In utilising the findings on ‘static’ and ‘dynamic’ owner-managers, further research could study the association between this trait and the dominant owner/entrepreneurial characteristics of owner-managers. As suggested in the Discussion chapter with regards to how owner-managers plan, another area of study could be to investigate the cause-and-effect direction between risk perception and dynamic/static profile based on the effectuation theory (Fisher, 2012) rather than the traditional causation theory (Sarasvathy, 2008).

The ‘CEO’ type owner-managers should be informed that a good strategy (Rumelt, 1980) and even an emergent one (Mintzberg, 1978) incorporates deliberated steps to exploit not only on the current market but also on opportunistic trends. To encourage owner-managers to adapt to the ‘CEO’ planning response, further studies could investigate on how to integrate formal planning in conjunction with the owner-managers’ intuitive mindset.

Finally, to verify the extent of analytical generalisation, further research could be replicated in another nation and/or industry as suggested by Yin (2012).

**Propositions:**

The following propositions are suggested to advance future research:

*Proposition 1 – The higher the collaborative capability, the more likely is the planning focused on strategic issues such as exploitation of entrepreneurial opportunities;*
Proposition 2 – The lower the collaborative capability, the more likely is the firm focused on operational issues such as dealing with sustenance issue;  

Proposition 3 – With higher collaborative capability, the firm is more likely to focus on executing strategy;  

Proposition 4 – The higher the collaborative capability, the more competitive is the firm;  

9.8 Summary  
In uncertain times, the capability of the owner-managers to utilise resources is a key source of growth or at least for survivability for the small firms. In agreement with Robinson and Pearce (1984) and Mazzarol and Reboud (2009), owner-managers prefer informal operational plan. However, the propensity for ‘informality’ is likely to be due to lower level of formal education, and in particular knowledge and competence of business planning. Still, the austere background should not limit the owner-managers to focus on plans to meet operational needs only.  

As proposed by Mazzarol and Reboud (2009), although owner-managers may prefer to plan informally, strategic planning should be employed for effective resource allocation for the long term especially in the scenarios of increasing product complexity or when more products are offered. Then, in agreement with Orpen (1985) and Lyles et al. (1993), the sophistication in planning and the contributions from outsiders would be beneficial especially for use in strategic decision-making. Thus, a formal strategic plan was deemed necessary and that outsiders were helpful. Nevertheless, there is a strong preference for highly competent and committed management consultants who could contribute to the implementation (not just the formalisation) of the firm’s growth strategy.  

The findings are in agreement with prior research (Mintzberg 1978) that strategic activities could develop incrementally albeit ‘muddling through’ planning. For formal planning, owner-managers would need to learn how to balance between the need to achieve operational (efficiency) and strategic objectives.  

The uniqueness of the Mazzarol and Reboud’s (2009) typology is that it comprehensively integrates key conceptual frameworks and thus providing an ‘all-in-one’ perspective to strategic planning for the small firms. However, it could still be riddled with uncertainties for a user to rate each construct of any axis. One possible
way to mitigate this potential issue is to have a priori ratings for the range of constructs of a known industry. Then user could more confidently rate against this set of predetermined ratings when analysing another industry.

The six research questions that underlined this thesis were addressed in two parts. The first part addressed the first four research questions and subsequently validated the Mazzarol and Reboud’s (2009) typology. The second part utilised the posteriori tested typology to answer research questions, RQ5 and RQ6. Put together, the two research questions addressed this: “How RP and EO influence the owner-managers’ planning decision-making process in response to uncertain environment?” The roles were found to be significant but their effect on planning response is neither direct nor simple. The short answers (in the spirit of parsimony) to the research questions are that in agreement Mazzarol and Reboud (2009), the findings in the multiple cases revealed that:

- Positive relationship between EO and risk-taking behaviour.
- Negative relationship between RP and risk behaviour.
- High RP should be accompanied by strategic planning
- Low RP should then be accompanied by a focus on operational planning

Overall, the findings support the idea that EO is a credible moderating variable for RP. Nevertheless, it is actually not to be as simplistic as prescribed above. Likewise, the influence on RP is not so clearly a matter of whether or not that the primary trait of the owner-manager has entrepreneurial disposition. Similarly, associating with the classification of owner-managers, i.e., ‘static’, ‘dynamic’, ‘struggle to juggle’ or ‘not at all’ will not help to fully understand the roles of RP and EO. The study found that other pertinent factors needed to be considered in an integrated fashion. These factors are organisational configuration, the level of firm’s knowledge and competence, the volatility of the task environment and last but not least the preference of the owner-managers. Moreover, the interactions among these factors play a major role in the resulting plans.

The findings confirmed that the interactions between the small firms and their task environment are intense but purposeful. The simple structure of the firm reduces complexity within the task environment. Owner-managers’ boundary spanning and networking with customers and suppliers help to moderate perceived risk via access to information. However, the mindset of owner-manager can lead them to ignore such
information. Still, the findings also support the view that the complexity of the firm’s organisational configuration can influence the owner-manager to shift from a strategic to an operational focus in order to undertake the necessary management tasks required. As demonstrated by many of the cases, the planning response of owner-managers is not entirely static. Only two firms were static in the ‘shopkeeper’ mode and two in the ‘salesman’ mode. The other five adjusted their planning behaviour in the face of internal and external changes to the task environment.

Furthermore, the study found that while the interactions with outsiders are important, the internal interactions with employees are also critical especially with the knowledgeable insiders. Both ‘dynamic’ and ‘static’ owner-managers ruminate routinely the input from both the outsiders as well as their internal human capital in planning decision. These collaborative inputs would eventually lead to the owner-managers’ strategic and operational planning behaviour. The two categories of owner-managers, i.e., ‘dynamic’ and ‘static’, were conceptual findings that suggest the important association of the owner-managers’ RPs, innovativeness and their abilities to plan in uncertain times.

The extant literatures are unequivocal on the importance of strategic networks or alliances to the small firms. In particular, on how social capital and cognitive biases influence the risk perception of the owner-managers. None to my knowledge focus on the collaborative decision-making behaviour by taking into considerations input from both outsiders and insiders. Thus, the collaborative (input) decision-making process is a key theoretical contribution of this study. Further to this, the collaboration capability is a conceptual contribution.

The varied definitions of a small firm will pose a challenge for researchers to maintain the momentum in expanding the knowledge in this field. Most of the definitions found in the extant literatures relate to number of employees and/or financial size. However, the categories of SMEs (where ‘small firm’ is usually a subset of) and the number of employees in each category show discrepancies when defined by both the academics and non-academic institutions (see Table 2.1 and Table 2.2). Without a consistent definition, it is also hard to extend findings to other research and thus could hinder theoretical development. Therefore, this thesis supports the Mazzarol and Reboud’s (2009, p.3) definition in an attempt to provide an impetus for a more inclusive and yet
meaningful definition. This definition could possibly include the traditionally-defined SMEs because it is conceptually defined and excluded quantitative guidelines.

Some SMEs are rather large and are also listed on the stock exchange. As such, they may not be independently managed. Also, these firms could be managed by professional managers rather than the owner-managers themselves. That is, it is possible that these owner-managers may not be involved in management and in strategic decisions. As such, the behaviour of the owner-managers could not be investigated. Therefore, further studies using this study’s definition of the owner-manager and having it as the unit of analysis are recommended.

This thesis offers some promises for the chronically operational-minded manager-owners. The significance of the collaborative (input) decision-making process implies that it is important to develop capabilities relating to tapping and processing of the collaborative knowledge and competence from within and without of the firm. In this connection, management consultants could play a crucial role in this by imparting the knowhow of business analytical tools to aid planning, and in guiding owner-managers to accomplish their firms' goals or vision. Finally, the knowledge contributed in this thesis is obviously not an end but a mean to add to the body of knowledge on the strategy and strategic planning of the small firms.
[Intentionally left blank]


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Appendix A: Case Study Protocol

Full English Version

With reference to Yin, R., (2014), Case Study Research: Design and Methods (5th ed.).

1. Introduction to Case Study and Purpose of Protocol

Case Study Questions

The research team seeks to use the case study approach (with CIT) to answer the following research questions:

1. How significant is the risk perception of owner-managers in influencing the implementation of strategy? If the influence of perceived risk is not significant, what other possible factors are there?

2. Does entrepreneurial orientation moderate the owner-manager’s perceived risk when there is an increase in volatility in an uncertain environment? If so, how does it moderate? If not, what else could?

3. What is the expected planning response when an owner-manager with a specific entrepreneurial orientation profile perceives a certain level of environmental risk?

Hypotheses

Our literature review and pilot case studies suggest that planning responses is directly dependent on the firm’s (and hence owner-manager’s) risk perception, moderated by his/her entrepreneurial organisation. Using an iterative approach shuttling between theory and data, it was hypothesised that the emerging patterns and observations from the multiple case studies could point towards distinct planning responses.

Role of Protocol
This document seeks to guide the case study investigator towards a focused and standardised agenda for the Interviewer’s line of inquiry. Three main guiding principles are to be adhered to:

- **Use of the Critical Incident Technique (CIT) to elicit rich responses and linkages between antecedents and responses, with the former being referenced to the core set of significant events established on the historical timeline (1990-2013) as determined and verified by the pilot case studies**
- **Research is to be delineated into multiple levels of the motor vehicle industry, spanning dealers to ancillary car services, for a holistic representation**
- **Guidance from the questions as crafted in the questionnaire which were referenced from established scholarly works**

### 2. Data Collection Procedures

List of owner-managers to interview:

<table>
<thead>
<tr>
<th>Coding</th>
<th>Core Businesses</th>
</tr>
</thead>
</table>
| Owner-Manager D   | • Car Service Workshop  
                   | • Spare Parts Dealer                                |
| Owner-Manager E   | • Car Service Workshop                              |
| Owner-Manager F   | • Car Service Workshop                              |
| Owner-Manager G   | • Spare Parts Dealer                                 |
| Owner-Manager H   | • Car Service Workshop  
                   | • Spare Parts Dealer                                |
| Owner-Manager I   | • Distributor, Dealer, Exporter  
                   | • Motor Insurance Company                           |
| Owner-Manager J   | • Distributor, Dealer, Exporter                      |
| Owner-Manager K   | • Distributor, Dealer, Exporter                      |
| Owner-Manager L   | • Distributor, Dealer, Exporter                      |
| Owner-Manager M   | • Rental Company  
                   | • Car Service Workshop                              |
| Owner-Manager N   | • Distributor, Dealer, Exporter                      |
| Owner-Manager O   | • Distributor, Dealer, Exporter (training purpose)   |
Interviewers to refer to “Overview of the Singaporean Motor Vehicle Industry” diagram below to see industry segmentation and ascertain comprehensive industry coverage of respondents.
Data Collection Plan

Interviewers are to observe the operating premises of respondents to identify critical clues that add value to understanding the business environment. After which, all interviews will be recorded using a Sony digital hand-held tape recorder for ease in transcribing. Interviewers are to follow the questionnaires and to probe for further clarification should the answers be unclear. The guidance from the established historical timeline of the significant events spanning 1990-2013 in the motor vehicle industry will serve as a crucial component of the pilot case studies to ensure uniformity in cross-case comparisons. Interviewers must observe the body language of respondents and their tone of voice. After the interview, Interviewers are to carry out competitor analysis in the vicinity of the company.

Expected Preparation

All interviewers are to be well-versed in the literature review for the proposed framework involving the constructs of Risk Perception, Entrepreneurial Orientation and Planning Response, attaining the level of ‘subject matter experts’.

In addition, interviewers are to be fluent in English, Mandarin (Chinese) and dialects as the pilot case studies have ascertained that these languages are most frequently used by respondents in this industry.

Extra sets of case study protocols and additional tape recorders are to be prepared and brought along as back-ups.

3. Outline of Case Study Approach

Interviews with owner-managers will be undertaken using the below case study questionnaire. In order to expose the research to the various areas that contribute to theory building for small firms, the factors used by D’Amboise and Muldowney (1988) will be referenced to.

4. Case Study Questions for Multiple Case Studies (refined after the pilot case studies):

(Interviewer note: with reference to factors mentioned in d’Amboise & Muldowney, 1988)

The Owner-Manager Characteristics

Can you describe the nature of your business? What product or services?
What is your experience in the motor vehicle industry? How many years have you been in this business (industry)? How many employees do you have? How many years have you been running your own business or in this industry? Why do you want to own and run this business?

What is your vision or long-term objectives for the firm? What are some short-term goals?

Do you struggle with achieving work-life balance when allocating time to spend with your family and to meet the demands of business? How do you manage this challenge, if any?

What is your perspective on freedom, autonomy, but assuming business risk in relation to being your own boss versus being employed?

Interviewer note:

To address the level of formality associated with operational and strategic planning

How do you plan your business [formality question]? Do you engage an outside consultant to do it? Do you have a certain planning process like each person/department would do up a budget plan and/or SWOT analysis? Example: Periodic strategic meeting (like once a year) is conducted for strategic discussion and subsequent routine meetings (like thrice a year) are held to review operational plan. Do you plan to perform better than your competitors? If so, how? If not, why not?

What do you take into consideration in planning your business? Specifically: What are the key components in your plan that you would consider as strategic and which components are operational? Do you simply focus on just improving your past performances without being bothered by how your competitors perform?

If you have a chance to liquidate the company or transfer ownership and make a reasonable net income, would you do it? Why?

What are your main sources of information pertaining to the motor vehicle industry? (Internet, Customers, Suppliers, Competitors, Employees) Do you network frequently?
**Risk Perception and Task Environment**

*Interviewer note:*
*To address research question: How significant is the risk perception of owner-managers in influencing the implementation of strategy? If the influence of perceived risk is not significant, what other possible factors are there?*

How and in what ways do you perceive as risky in running your business? Any specific risk(s) that you would want to highlight?

Would you consider this business/industry to be in a highly uncertain environment? [Need to clarify the definition of a highly uncertain environment – use table below which shows Daft (2008)’s matrix of environmental complexity and dynamism].

**Table: Daft (2008)’s Environmental Uncertainty Matrix**

![Table](image)

(Using examples for the industries shown in the above matrix, ask respondent where the motor vehicle industry fits in or can be best described to be in terms of the level of environmental uncertainty.)

*Interviewer note:*
*To address what are the key environmental factors and events that could trigger an owner-manager to implement the operational and/or strategic plans differently?*

How do you keep abreast of environmental changes? What kind of environmental changes you would not be concerned with or that you feel pose little or no risk to your
business? Why? What were some perceived opportunities in your business? Were these opportunities also perceived as threats? Do you view (warm-up by mentioning significant event - rising COE prices – to respondent) as opportunities or threats for your business?

Under what circumstances (see Table 4 on the following page) will you be more likely to consider looking into your business plan and making changes?

### Table 4: External Factors and Strategic/Operational Plans

<table>
<thead>
<tr>
<th>Factors</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>Greater cost consciousness</td>
</tr>
<tr>
<td></td>
<td>Transport preferences (Breakdown of MRT)</td>
</tr>
<tr>
<td>Competitors</td>
<td>Direct competitors in the area</td>
</tr>
<tr>
<td></td>
<td>Established firms and new start-ups</td>
</tr>
<tr>
<td></td>
<td>Companies who have acquired CaseTrust Accreditations</td>
</tr>
<tr>
<td>Legal factors</td>
<td>Government Road Tax</td>
</tr>
<tr>
<td></td>
<td>Vehicle Import Duties</td>
</tr>
<tr>
<td></td>
<td>Changes in the COE quota</td>
</tr>
<tr>
<td></td>
<td>CASE’s “Lemon Law”</td>
</tr>
<tr>
<td></td>
<td>Electronic Road Pricing (ERP)</td>
</tr>
<tr>
<td></td>
<td>Change in government policies regarding car financing</td>
</tr>
<tr>
<td>Economic Factors</td>
<td>Price of petrol</td>
</tr>
<tr>
<td></td>
<td>Global financial/automobile crisis</td>
</tr>
<tr>
<td>Technological Factors</td>
<td>Green cars/Hybrid Cars</td>
</tr>
<tr>
<td></td>
<td>Car websites and online forums</td>
</tr>
<tr>
<td>Socio-Cultural</td>
<td>Desire for car ownership at a young age</td>
</tr>
<tr>
<td></td>
<td>Ageing population</td>
</tr>
<tr>
<td>Quality</td>
<td>Car recall issues</td>
</tr>
</tbody>
</table>

What kind of plans did you have in the last 3 years? Consider the impact on sales, acquisition projects, diversification and human resource forecasting.
Can you give some examples of what changes in your plan that you have made when subjected to specific circumstances? [I will show the timeline of events (Figure 1 on last page of case study protocol) and ask what he perceived as risky and how he had responded?]

In what ways are you able to cope with environmental changes and in what ways not? What was your response when you encountered incidents such as changing COE prices?
Whenever you perceived certain environmental risks as high, what (and why) would you do in respect of:
  - Making changes to your operational plan?
  - Making changes to your long-term (strategic) plan?
  - Doing something else to mitigate the perceived risk?

Do you have any mechanism in scanning the environment?
  - What is included in the scanning process and why?
  - How does it affect the operation of your firm?

**Firms’ Characteristics / Organisational Configuration**

*Interviewer note:*
To address if organisational configuration affects the actual implementation of strategies when SMEs are subjected to environmental changes

Can you explain your firm’s organisational structure?

Can you describe the equity ownership structure of your firm?

How does your structure help you/ in implementing your plan (or strategy)? Who makes the decision in your firm? Do you consult with your staff?

**Entrepreneurial Orientation**

*Interviewer note:*

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To address research question: Does entrepreneurial orientation moderate the owner-manager’s perceived risk when there is an increase in volatility in an uncertain environment? If so, how does it moderate? If not, what else could?

Questions for Risk Perception (Adapted from Study 2 of Sitkin & Weingart, 1995)

1. How would you characterise the recent increases in COE prices due to the lowering of COE quotas?

Significant opportunity 1 2 3 4 5 6 7 Significant threat
Potential for Loss 1 2 3 4 5 6 7 Potential for Gain
Positive Situation 1 2 3 4 5 6 7 Negative Situation

2. As the industry will continue to be affected by uncertainty in future COE prices, what is the likelihood of your firm being able to manage these changes effectively?

Very Likely 1 2 3 4 5 6 7 Very Unlikely

(Questions to be adapted based on further significant events highlighted by respondent)

Questions for Risk Propensity (With reference to Chadwick et al., 2008; Covin & Slevin, 1989; Certo et al., 2009)

3. I have a strong tendency to adopt high-risk projects.

Agree Neutral Disagree

a) Are you willing to seek out new responsibilities with uncertain outcomes?

b) Do you allow your own risk aversion to cloud objective opportunity assessments for your firm? How do you prevent this from happening?

4. When faced with a decision that affects my organisation’s financial future, I would

a) choose more or less risky alternatives based on the assessment of others on whom you must rely
Agree  Neutral  Disagree

b) choose more or less risky alternatives which rely upon analyses high in technical complexity

Agree  Neutral  Disagree

c) choose more or less risky alternatives which could have a major impact on the strategic direction of my organisation

Agree  Neutral  Disagree

d) initiate a strategic corporate action which has the potential to backfire

Agree  Neutral  Disagree

e) support a decision when I was aware that relevant analyses were done while missing several pieces of information

Agree  Neutral  Disagree

Questions for Pro-Activeness
5. My company is usually the first to introduce new products/services, administrative techniques, operating technologies, etc. to maintain its competitiveness.

Agree  Neutral  Disagree

a) Do you actively anticipate the needs of management and frame your work accordingly? How do you do so?

b) How do you think your business will shape the competitive environment in the future?

c) Are you a first mover, or a market follower? Why?

d) How adaptive are you to challenges from competitors? How quickly do you respond?
Questions for Innovativeness

6. I place a high level of emphasis on R&D, technological leadership and innovation.

<table>
<thead>
<tr>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
</table>

a) How many new ideas do you come up with each year?
b) How willingly are you in discarding old beliefs and explore new alternatives?
c) Did the firm market new lines of products/services in the past 5 years?

- End of Questionnaire -
Interviewer note:

Check that all information collected is sufficient to answer research questions:

1. Type of task environment according to Daft’s matrix will be matched to the type of planning responses.
2. Entrepreneurial orientation results and planning response will be used to see if perceived level of risk changes.

Case Study Protocol Figure 1: Historical Timeline

1990

Road Pricing Scheme (RPS) introduced.

1997

Vehicle tax structure revamped. Ughtsized taxes such as registration fee, etc.

2000

GDP systems implemented to manage the fuel crisis.

2009

Increase in gas prices and road traffic congestion.

2011

LTA (Land Transport Authority) was established.

2012

Start of bus and train diversions, DVB introduced.

2013

Road Pricing Scheme (RPS) introduced.

February 2012

Singaporeans hit by 12.5% fuel price hike and 10% of diesel, 14.9% increase on fuel prices. Diesel prices rose by 13 cents.

2008

Car prices increase by about 10% due to strong euro.

June 2008

Unemployment rates hit 1.5% in the first quarter, and GDP growth slows down.

August 2008

Gas prices escalate by 12%.

2010

Start of new electronic tolling system.

January 2016

Number of cars per capita dip to 3.4% in the previous year.

December 2013

A new toll system which introduces to a span of 5 days.

January 2014

Number of cars per capita dip to 3.4% in the previous year.

December 2013

A new toll system which introduces to a span of 5 days.

Source:

Data from the Singapore Department of Statistics, Singapore, 2016.
初步研究的问题:


现在我会问您以下的问题，主要是要更深刻了解有关战略和行动计划的要点:

1. 贵公司是否有一个文件涉及到未来三年的战略计划？
2. 请问您的战略计划是否只提供给管理？
3. 请问您的战略计划是否包括:
   a) 规范的目的和目标？
   b) 远距离的努力选择和期限?
   c) 需要的未来资源? 如果有，请您举例说明。
   d) 预测或检测，以防止或纠正错误，或失败，计划和程序？如果有，请您举例说明。
   e) 财务标准，如盈利，投资回报率的量化目标
   f) 贵公司是否准备每月为每个成本或在其公司的利润中心（人力资源，产品开发，企业扩张）的绩效评价短程预算？
   g) 考虑该公司的即时环境之外的因素吗？假设有，请举例说明。
   h) 尝试具体确定社会，经济，政治和/或技术因素？哪些是更重要的因素？

4. 贵公司是否定期对您的战略规划过程中的任何阶段使用数学模型？
5. 贵公司是否使用外部顾问，以协助在战略规划过程？为什么？
受访者将被要求重新思考2至3个影响他们的战略和行动计划显著的外部事件，和这些事件的风险知觉。

环境因素和风险知觉有关的问题：

1. 在过去的几年中，回顾一个严重/重大（重大事故），并已影响您的业务外部事件（或消息）。关于这个事件（或消息），您认为在运行您的业务有潜在的机会？请注明影响是短期（少于一年）或长期（3年以上）？

2. 请提供此事件或新闻的详细描述：外部事件如何发生？你怎么知道这件事呢？为什么您认为严重/重要，以及在某反面您认为严重/重要呢？

3. 另一方面，有哪些事件（或消息）不被视为严重/重大，或对您的业务有风险？为什么？

以下的问题关于公司对消息或事件的反应：

1. 知道了这一事件或新闻之后，你脑海中的第一感想是什么？

2. 知道的事件或新闻后，你第一件做的事是什么呢？为什么？

3. 随后的计划和行动是什么？为什么您决定这样做呢？

有关组织配置和跨越边界的问题：

1. 你的业务网络所提供的信息，或业务网络能够提供的信息，是否对你的计划有所影响？如果有，在哪些方面？如果没有，为什么？

2. 您认为有哪些重要的信息或资源是否对你的计划有所影响？请您在我们现在谈的事件或新闻举例说明。

3. 请您举例说明有了这些信息或资源，战略和/或行动计划是否有所改变？

创业导向

- 为了判定创业导向的程度
对风险倾向的问题：

a. 当面临决策过程中涉及的不确定性，公司通常是通过什么样的姿态，把发掘潜在机会的概率最佳化？
b. 公司的高层管理人员是否有强烈的倾向，采取高风险的项目呢？请详细说明。
c. 由于环境的性质，公司的高层管理人员是否认为大胆，广泛的行为是必要的，以实现公司的目标？如果是，请详细说明。

对于积极性的问题：

a. 在以对手竞争时，公司是否经常是第一家公司推出新产品/服务，管理技术，操作技术等？请详细说明。
b. 公司是否通常寻求避免竞争冲突，宁愿“宽以待人”的姿势，或采用一个竞争非常激烈（所谓“适者生存”）的姿态？
c. 公司是否通常主动做出引起竞争对手回应的行动？如果有的话，请详细说明。

对于创新精神的问题：

a. 请您说明在研发，技术领先以及创新精神的方面对您的公司的重要性？如果有的话，请详细说明这些计划。
b. 公司是否有在过去的五年内推出新产品/服务？请说明这些举措的一些例子。
c. 公司在产品或服务线的变化可说是什程度？您认为是激烈，常规或似乎无法留意到呢