Managers’ Goal-Setting Strategies
- Focus on Small Businesses

Master thesis within Business Administration
Authors: Purohit Nisha
         Stark Fredrik
Tutor: Brundin Ethel
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Abstract

Background: Goals and goal-setting are two aspects that occur everyday in business life however little is known about the effect of strategic goal-setting. To a certain extent, this affects all of us either directly or indirectly, everyday through strategic decisions that are made by business managers all around the world. A company’s performance of a company can be measured in many ways. A firm’s performance can be financially successful if the company’s strategy is well planned. Strategic planning consists of developing goal-strategies, which aim at contributing to the firm’s performance.

Problem: A small business manager’s view on the goals-setting strategies is important since the manager in a small company can influence the business more than compared to a manager in a larger firm. As the personality differs among managers, the level of planning and proactiveness would differ as well. Several studies have focused on the relationship between goal-setting and performance but the level of proactiveness has not been has not been considered to a larger extent.

Purpose: The purpose of this thesis is to investigate managers’ goal-setting strategies, focusing on goal-specificity, planning, proactiveness, and financial performance in small businesses in the Jönköping region, Sweden.

Method: To fulfill the purpose of this thesis both qualitative and quantitative research approaches have been used. As 173 interviews were already carried out in an earlier study, we created a strategy on how to use the collected interview data. Theories from different research areas were combined with hypotheses to create a framework for this paper. The theories and the hypotheses were analyzed in light of the empirical evidence, the interview and we used the SPSS to test our hypotheses.

Result: The results from the first three hypotheses were not found to be too unexpected as we assumed that planning, the level of goal-specificity and proactiveness to a large extent, depend on a managers’ strategies and ambitions. The final two hypotheses have helped us discover new patterns and add to previous theories. We have made two main contributions by conducting this master thesis. The first one is that a high degree of planning does not imply a higher level of financial performance. The second one is that family businesses do not show a lesser degree of planning compared to non-family businesses.
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Introduction

This chapter will give an introduction and background to the basic assumptions and main aspects on a manager’s goal setting strategy in a small business. First, the background is presented and followed by a problem discussion. The purpose is outlined and a definition of a small business is offered.

1.1 Background

In the beginning of 1990 managers started to pay attention to the emerging demand of goal setting strategies for themselves and their company (Latham & Locke, 1991). Field & Keller (1998) argue that the performance of the company plays a vital role for the manager and the employees. Further, Yukl (2006) stresses that the organizational goals are used as a way to reach the objectives of the company.

In addition, Bolisi, Cook & Hunsaker (2003): Hannon and Atherton (1998): Bramberger, (1986): Yearta, Maitlis & Briner (1995) propose that there is a relationship between goal setting and performance. Performance of a company can be measured in many ways. We will use financial facts and figures as an indication of the overall performance. According to Abels (1989), a company’s performance can be financially successful if the company's strategy is well planned. Moreover, Tapinos, Dyson & Meadows (2005) argue that strategic planning consists of developing goal strategies, which aim at contributing to the firm’s performance.

Wigren, 2003 describes the Jönköping region in Sweden as an area that is known for an intense business climate consisting of many small businesses. Verheugen (2005) stresses the importance of small and medium-sized enterprises (SMEs), as they are the main source of employment, entrepreneurial activity and innovation. Since SMEs have central significance for the European economy, Burke (2006) states that SMEs are socially and economically important to society as they represent 99% of all businesses in America and Europe, offer more than 50% of the employment and produce most of the new professions. The importance of SMEs is indisputable and it is the manager’s role to influence his/her employees and be responsible for the decision-making process (Field & Keller, 1998). This is where goal setting plays a role according to Yearta et al. (1995).

Goals and goal-setting are two aspects that occur everyday in business life. However, little is known on the effect of strategic goal setting. To a certain extent, this affects all of us either directly or indirectly, everyday through strategic decisions that are made by business managers all around the world.

Earlier theories (Latman & Locke, 1991: Bolisi et al., 2003: Yearta el al., 1995: Wood & Bandura, 1989) have discussed the role of goal-setting. Aspects on how and why it affects employees has been covered; however, more research is needed. Gauri & Gronhaug (2005) state that by doing research we add to present knowledge and give new perspectives. This paper strives to make a contribution to this research area by providing new empirical evidence focusing on small businesses goal setting strategies.

1.2 Problem Discussion

The manager’s view on the goals-setting strategies is important as the manager in a small company can influence the business more than compared to a larger company, thus making
the management role distinctive (Baum & Locke, 2004). Further, Yearta et al. (1995) claim that the managers’ personality affects the organization through cognitive behavior. As the personality differs among managers, the planning (Miller and Cardinal, 1994) and proactiveness (Kickul & Gundry, 2002) will differ as well. Several studies have focused on the relationship between goal-setting and performance (Bolisi et al. 2003; Hannon and Atherton, 1998; Bramberger, 1986; and Yearta, Maitlis & Briner, 1995) but the level of proactiveness has not been considered to a great extent.

The focus in this paper is on the manager’s perspective, and the managers’ goal-setting strategies. These might tell how the goal-setting is considered and how it reflects on a manager’s proactive/reactive behavior. According to Bateman and Crant (1999) a proactive person wants to create a better environment, through a positive change.

### 1.3 Purpose

The purpose of this thesis is to investigate managers’ goal setting strategies, focusing on goal specificity, planning, proactiveness, and financial performance in small businesses in the Jönköping region, Sweden.

### 1.4 Definition

According to Carter and Jones-Evans (2006), it is difficult to give one single definition of a small business and mention that internationally there is a wide mixture of definitions. However, our focus will only be on the number of employees when categorizing a small business. Therefore, neither the turnover nor the balance sheet will be discussed. In other words, we define a small business as a business with maximum 49 employees, including micro and small enterprises as shown in the rectangle in figure 1:1 below.

![Figure 1-1 - EC Definition of SMEs. Source: EC (2006).](image)

Even though we are aware that managers, leaders and entrepreneurs are defined differently in the literature, we will use them interchangeable throughout our thesis.
2 Frame of Reference

This chapter will present theories and models related to our research area. First, we will introduce the concept of a manager and his/her role for goal-setting and performance, goal specificity cognitive behavior and goal attribution. This will be followed by goal-setting and proactiveness. The final two sections will provide theories about planning, planning and performance and family businesses and planning. Hypotheses will be presented throughout the frame of reference, as they will work as a research approach for this thesis.

2.1 The Manager

Yukl (2006) argues that the manager’s role is to influence the work of the employees by providing good leadership. Field & Keller (1998) discuss that the manager has many roles in a company; one is, according to Field & Keller (1998), to lead the employers towards a common predetermined goal. Yukl (2006) further states this can be done by influencing the people in the team, structure and organize the activities in the organization. Burke (2006) concludes that a small business is frequently regarded to be an independent enterprise, managed by its owner or part owners, along with a small market share. Baum & Locke (2004) add that the manager in a small firm compared to a larger firm has more influence on activities within the business.

In addition, Bolisi et al. (2003) recommend that managers should make every effort to make their employees motivated. They argue that motivation works as a trigger for both the manager and the employees, and thus affect a firm’s performance. Moreover, the motivation in a business might be a result of different factors. Baum & Locke (2004) present three motivation factors that affect the performance of a business: vision, self-efficiency and goals.

The vision. The first motivation factor stresses the importance of a communicated vision as it suggests that it is equally important as the actual content of the vision.

“…big dreamers are big communicators and that vision communication will occur with visions for high growth because big dreamers need support from employees and resource constituents to achieve their dreams”

(Baum & Locke, 2004, p. 7).

Further, Badrinarayan (2004) and Politis (2002) advise leaders to use visioning strategies when setting high performance expectations for a team. However, there are exceptions. Some well-communicated visions can have little growth while not as well-communicated visions might show high-levels of growth. According to Baum and Locke (2004) the visions also include the strategic vision, which refers to how the company successfully will compete in the market. The vision can therefore be seen as a long-term goal.

Self-Efficiency. Baum and Locke (2004) argue that a higher venture growth will be achieved if the founders are aware and confident about their entrepreneurial abilities.

Moreover, Wood and Bandura (1989) assert that if a person has strong perceived self-efficiency it will lead to the goals set for them and the organization are more challenging. When a high goal is by them it results in a higher performance of the organization.

Goals. According to Latham & Locke (1991, p. 226) a goal is:
Baum & Locke (2004) suggest that entrepreneurs are more committed to their goals as they choose them themselves. The entrepreneurs are often the owners and thus regular feedback is received. In addition, Latman & Locke (1991) propose that a person can use goals as a self-management technique. According to Baum & Locke (2004), this technique’s ability to set goals and visions can be developed by training.

To sum up the three motivation factors, Baum & Locke (2004) believe that goals are affected by a communicated vision and self-efficacy. They see goals as steps toward the vision and therefore by setting a more challenging vision it would generate more challenging goals. They conclude by arguing that a structure of the organization and that the managers’ control over the firm will affect the content and the intensity of the managers’ vision.

2.1.1 Goal-Specificity: Goal Attributions

Bolisi et al. (2003) state that manager’s personal motivation is affected directly by the goal itself and how it is displayed. It is discussed that the level of motivation depends on two main goal attributions, the content of the goal and the level of intensity. Bolisi et al. (2003) point out that there are two aspects to consider concerning the content attribution, specificity and difficulty. The goal-specificity refers to how specific a goal is. Thus, whether the goal is vague or specific. It also measures how attainable the goal is and how it is assessed. An example of a vague goal is that I am going to start to work out, while I am going to the gym on Thursday at 4 o’clock can be seen as a specific goal. Difficulty concerns the relationship between a person and a task or a goal. Latman & Locke, (1991) suggest that a goal or a task can have different levels of difficulty, depending on the person. One example is to run five kilometers. This can be seen as a real challenge for one person not used to running, while a well-trained runner might not experience the task as difficult. Different people perceive goals differently, depending on experience, knowledge and skills.

Bolisi et al. (2003) also discuss the level of intensity, which refers to the process from which the goal has been set and the degree of participation. The main aspect of goal intensity is commitment. This involves the level of attachment the individual has to the goals. The attachment includes factors as how significant the goal is, to which degree one plans to reach it and how obstacles are considered. There are two main ways in which the commitment can be increased. One way is to convince people by stressing the importance of the goal. The other is to convince them that they will be able to achieve the goal, that it is something that is possible. According to Latman and Locke (1991) the manager is the key person who can use these ways to persuade the employees and thus, increase the goal commitment.

2.1.2 Cognitive Behavior

The goal attribution is reflected on the goal and the way the managers and the employees react to it. Yeartha et al. (1995) argue that the managers’ personality will play a vital role in the organization through the cognitive behavior.

Wickham (2001) describes that the cognitive psychology attempts to understand the human behavior, the way we acquire, store and process information from our surroundings. Yeartha et al. (1995) discuss that the goal-setting can be seen as cognitive theory of motivation, as every person has a cognitive style and adopts strategies to solve problems. They
also consider it to be a key aspect for an organization as the cognitive style reflects on the manager's decision-making. Bolisi et al. (2003) state that in order to understand the cognitive behavior of a manager, it is essential to understand the personal intentions of the individual. The intention is about having a mental awareness to combine goals and plans to achieve the goal. Wood & Bandura (1989) argue that the cognitive aspect consists of self-beliefs of managerial efficiency, personal goal-setting and the quality of analytical thinking. In addition, Bolisi et al. (2003) claim that people pursuing a goal needs to have a cognitive or mental involvement.

According to Bolisi et al. (2003), the social cognitive theory is a fundamental framework for understanding the psychological factors. It combines the social-structural factors and show how they are linked to the performance of an organization. Wood & Bandura (1989) use the Triadic reciprocal Causation model, which can be seen in figure 2:1 below. It indicates the relationship behavior (B), cognitive and other personal factors (P) and the external environment (E). The model shows that the factors influence each other bidirectionally and suggest that a person both produce and is a product of the environment at the same time (Wood & Bandura, 1989). Reciprocally refers to a constant interaction between these three factors.

In addition, Wood and Bandura (1989) declare that decision-making research has increased the awareness of how a cognitive process affects the decision-making within goal-setting. The manager is influenced by earlier decisions and experience when making a new decision. A person with strong beliefs in his/her own problem solving capabilities increase the level of analytic thinking in complex decision making situations. Wood & Bandura, (1989) argue that the manager’s achievement is affected by the quality of analytical thinking.

Moreover, Wood and Bandura (1989) state it is essential that short-term goals are related to more long-term organizational objectives. Feedback aspects should be considered when making decisions as they provide inputs on how to following decisions. Finally, the authors state that it can be seen as a way to evaluate performance and prevent faulty decisions made in the future.

According to Baum & Locke (2004) managers who are able to cope with the challenges are individuals who love their work and are focused to achieve their goals by overcoming ob-
stacles. Passion for work can be defined as the emotions of attachment, love and also identified the hours spent on the venture start-up and growth phase.

Baum & Locke (2004) further discuss how a manager can be personally affected when a company experiences a crisis or success. Wood and Bandura (1989) argue that people have different views on cognitive ability. Some believe that it can be acquired while other perceives it as fixed capability. The people in the first group are recognized to be more challenge seeking, as they want to increase their personal knowledge and competences. According to Wood and Bandura (1989) these people see failures as a part of a learning process, as they are prone to have a personal improvement. In contrast, the other group perceive drawback as threats on a personal and social level. The people in this group tend to choose safe performance goals. It is therefore argued that the organizational goal standard is lowered compared to the ambition level.

2.2 Goal-Setting and Proactiveness

Yukl (2006) states that a company uses goals in order to reach the organizations objectives. In addition, Yearta et al. (1995) describe goal-setting as a managerial tool, which works as a motivational technique. Bolisi et al. (2003) present three situations where goal-setting can be identified; goals set by management, participation of employees when setting goals and when employees are told to do their best. The first and the second situation are related to the highest performance. The third, when the employees are told to do their best, hinders performance, as it is not even categorized as process of goal-setting. The manager has nothing to compare against, and the actions of the employees are not measurable.

Yearta el al. (1995) state that one should note that when the goal-setting activity is shared between the manager and the employees the performance is seen to be higher. Baum & Locke (2004) mention that people who are passionate about their work feel good about challenging goals and therefore managers tend to set higher goals for their company. Field & Keller (1998) suggest that the goal-setting aims to combine and organize the work of the team. It is the leader’s responsibility to get the team motivated to achieve these goals. Baum & Locke (2004) further mention that this would indicate that the managers are interested in high achievement for their venture.

However, there are some complexities as far as managerial goals and team goals are concerned. Wood & Bandura (1989) claim that in an organizational context, these two parties’ goals need to be coordinated, if the goal should be reached. When an employer participates in the goal-setting, more awareness and knowledge is gained about the goal and thus, the employee is able to achieve a higher performance. Yearta et al. (1995) claim a reverse situation can be when the employee has little or no participation in the goal-setting activity, making the awareness smaller and therefore there will be a lower performance. Wood and Bandura (1989) stress the fact that a manager must influence to reach a predefined goal by the means of a collective effort. In addition, Bolisi et al. (2003) add that the participation in the goal-setting does not have to lead to a higher performance than if the goal was assigned by a manager.

As far as the leadership skills are concerned, Field & Keller (1998) state that there are several key skills in a manager’s ability to make decisions in a more efficient way. One example can be to influence and clarify goals to everyone who is involved. According to Mead (2005), it is the leader’s role to set high goals and influence the employees to follow.
Bolisi et al. (2003) recommend that in order to make clear goals one could write a four-step operational objective.

1. Define what should be done by an action verb. For instance to complete, to sell, to improve and to learn.

2. Identify areas which are relevant as they are key result areas for the performance; accounts receivables, inventory, customer service.

3. Create a measurable standard or performance indicator that facilitates the measuring of the performance in both quality and quantity. For instance in percentages, monetary aspects, average time per task, changes, and units consumed.

4. Give a time frame for the activities when the results have to be presented. For example every Friday the 20th each month, one week before a deadline.

2.2.1 Proactiveness

According to Bateman & Crant (1999), a proactive person can be described as an individual who wants to change things and move in an intended direction. The person wants to be a part of it and create the change to make things better. Seibert, Kraimer & Crant’s (2001, p. 850) definition of a proactive personality is:

“A person who creates positive change in his or her environment, regardless or even in spite of situational constraints”

According to Bateman & Crant (1999), the opposite of a proactive person is a reactive person who can be described as a person who sits back and lets other make things happen and relies on external factors to come up with solutions. Reactive persons can, according to Crant (2000), be known as passive, since they do not recognize opportunities, take actions or change things in their surroundings. Instead they wait for the opportunities to come to them.

Kickul & Gundry (2002) found that the proactive personality could be used as a strategic advantage for a small firm, as personality influences the strategic orientation by the choices and actions that are taken by the managers. The proactive manager does not only act upon the challenges in the market but also he/she personally engages in new innovative business processes, which create new opportunities. As the strategic orientation of a firm influences a firm’s success it is argued that a proactive manager can have a direct influence on the organizational goals and outcomes.

In addition to the strategic orientation, Lumpkin & Dess (1996) discuss that proactiveness can be essential for an entrepreneurial orientation as it provides innovative activities and new-venture activities. Further, Seibert et al. (2001) discuss theories showing a positive relationship between a proactive personality and innovation, political knowledge and career initiative. All these factors were linked to career success of a proactive person.

Crant (2000) states that proactive behavior can indicate a person who wants to have control over the situation and thereby minimizing the level of uncertainty. There are different factors affecting the proactiveness, for instance cost and benefit aspects. Further, he claims that a proactive behavior can be seen as complex as it includes multiple causes. These in turn have affects on both personal and organizational level. The personal level can be applied to the career perspective as Seibert et al. (2001) point out that a proactive behavior
together with cognitive process, indirectly influences career success. Another interesting aspect concerning the proactive personality is, according to Crant (2000) that the person wants to make improvement of the circumstances, by taking initiatives. Thus, proactive people always search for opportunities, rather than letting the opportunities find them.

Further, Kickul & Gundry (2002) argue that a proactive manager influences the goals and visions in a straightforward way. Crant (2000) supports this when he mentions that a person’s self-confidence and predetermined goals decides whether the manager would engage in proactive behavior or not. He also states that the best way to achieve goals is through proactive behavior. A firm can show proactiveness for instance by taking initiatives and being opportunistic.

To summarize, goal-setting is a managerial tool that a company practices to achieve its objectives. Proactiveness shows that a manager is willing to take initiatives in order to exploit new opportunities and make changes in the organizational environment.

Thus, the first hypothesis suggests that the higher level of proactiveness a manager shows, the more specific he or she is setting the goals for the company.

2.3 Planning

“If you don’t know where you are going, any path will get you there”

(Unknown).

The quote above aims to describe the importance of planning. Hormozi, Sutton, McMinn & Lucio (2002) mention identification of goals, combined with strategies on how to achieve those goals, as essential tools of business performance. Rauch and Frese (2000) state that using a high degree of planning results in an enhanced use of scarce resources as production costs reduces for a smaller enterprise. In addition, Brews and Hunt (1999) mention that there is a relationship between a firm’s strategic planning and its economic performance.

According to Wood & Joyce (2003) the strategic management of a company is related to the company’s future performance, making it an important aspect for the manager as well. The strategic planning is a part of the strategic management. Bryson and Roering (1988, p 294) define strategic planning as:

“… focusing attention on what is “important”, setting priorities for action, and generating those actions”.


Abels (1989) highlights strategic planning to be a dynamic planning tool, which can support strategy makers to get an indication of important aspects for the business organization to consider. Wood & Joyce (2003) agree by mentioning that a manager should have more knowledge about the strategic tools to be successful. Abels (1989) further discusses that in
order to be successful, it is essential for a firm to be cautious when designing the planning approach to work as a defense integrated in the course of action, ensuring planning is maintained during potential crisis or as a tool when enthusiasm might vanish.

To summarize, it is essential for the manager to use strategic planning as it works as a detailed guideline for the company. Thus, the second hypothesis suggests that a higher level of managerial planning implies a higher level of goal specificity.

The third hypothesis proposes that higher level of proactiveness implies a higher level of managerial planning.

2.3.1 Planning and Performance

Robinson & Pearce (1984) and Woods & Joyce (2003) studies made on small enterprises show that there is a relationship between planning and financial performance. Brews & Hunt (1999) argue that companies need to learn how to specifically plan, as this would give positive results on the performance. They also discuss planning to be a part of the management tasks and that it should be persistence as far as specificity and flexibility is concerned.

Moreover, Bolisi et al. (2003) mention the Management by Objectives (MBO), which is a process of setting time-specific objectives by the managers and the subordinates. The MBO is a way to make the employees aware of the organizational priorities and what they should put their focus on. The employees are held responsible for different task that are then reported to the manager. Managers, evaluate the task and how much they have accomplished. They then agree upon what should be done to the next meeting. To get the best outcome it is essential that there is a respect and trust between the manager and the employees.

Hannon and Atherton (1998) mention that several studies have been done regarding business performance. According to Baker and Addams (1993), there is a positive relationship between the level of planning activities and business performance and firm growth (Bramberger, 1986). Frese, Krauss & Friedrich (2000) argue that the degree of planning made by a manager depends on the type of strategy he/she pursues in how to reach the objective of the outcome has major positive effects on small business performance.

Bolisi et al. (2003) stress the fact that managers should provide leadership for the employees in order to make an effort to achieve the firm goals. Hormozi et al (2002) argue that planning is especially important for small businesses, as it is an effective tool to organize goals and objective.

Yearta et al. (1995) suggest that there is a relationship between the level of goal difficulty and the perceived performance. A higher set goal would lead to a higher performance, and vice verse. However, it is argued that if a person has to choose between a multiple and complex goal, which is a real challenge and a more achievable and less difficult goal, the latter one will be chosen. This way of acting would give the individual a higher level of performance than if the first alternative would be chosen. Field and Keller (1998) state that it is the manager’s responsibility to coordinate them in order to make them contribute to the overall performance of the firm.

To summarize, researchers argue that there is a positive relation between the degree of planning and business performance.

Thus, the fourth hypothesis suggests that there is a positive correlation between planning and the firm’s financial performance.
2.4 Family Businesses and Planning

According to Lee (2004), family businesses tend to have certain aspects in common. He also argues that a family business is an organization that has some kind of links to family identity, history or dominating ownership of one or more families. Moreover, Johansson & Levin (1991) argue that a person who wants to run his/her own company and make the decisions him/herself often establishes a family business. In addition they argue that a business owner often prefer to employ family members as it gives a better control over the business.

Sharma (2004) argues that family businesses have two aspects to consider. He illustrates that there is a family firm filter that encompasses two different viewpoints, the organizational- and the family view. These two perspectives then end up as one, which is the way family businesses operate. See figure 2-2 below.

![Figure 2-2: Toward the Development of Theories of Family firms (Sharma, 2004).](image)

Morck, Strangeland and Yeung (2000) also discuss the way of running a venture as a family business. They argue that family businesses often tend to hire family members in top management positions, which can hinder people with better talent and competence to become a part of the company and reach a certain level.

Gallo, Tàpies & Cappuyns (2004) argue there is a difference between planning in a family business and a non-family business. They claim that family businesses lack genuine business plans and commitment to growth. Further, they mention that family businesses have commitment to tradition and therefore focus a lot on service and quality because the companies represent a family name rather than planning and performance. Gallo et al. (2004) also mentions that family businesses seem to have less commitment to growth than non-family businesses.

Mitchell et al. (2003) state that family businesses take both family and business aspects into consideration regarding its performance. In addition, Sharma (2004) mentions that family businesses strive to achieve a combination of financial and non-financial goals. This indicates that family businesses are not totally committed to financial performance.

Astrachan and Kolenko (1994) argue that about 50% of family businesses with revenues of more than $1 million do not have job descriptions or written employee manuals. Moores and Mula (2000) say that family firms have a mixture of strategies and that few family business CEOs employ strategic planning. In addition, Upton, Teal & Felan (2001) claim that the majority of family businesses do not use strategic business planning. In accordance to
this, Wood and Joyce (2003) state that small business would like to stay spontaneous rather than formal and bureaucratic as larger firms, by not plan strategically. The small business manager personality reflects on the firm’s strategy and they become in that way more flexible. According to Mintzberg (1994), family businesses prefer privacy and therefore they might neglect planning because of the unwillingness of sharing information to others that can be seen as confidential.

To summarize, family businesses do not seem to plan to the same extent as non-family businesses as their main focus is not to grow by strategic planning. Instead, focus is on both the organizational level as on the history of the family name and what it stands for.

According to the fifth hypothesis, family businesses show a lesser degree of managerial planning than non-family businesses.

2.5 Summary of Frame of Reference

The managers’ role in a firm is according to Yukl (2006) to influence the employees work effort and towards a common predetermined goal (Field & Keller, 1998). As the manager influences by motivating Locke (2004) has identified three motivation factors that have effects on a firm’s performance: vision, self-efficiency and goals.

Bolisi et al. (2003) discuss how the goal itself is displayed and how it affects motivation. There are two main goal attributions, the content of the goal and the level of intensity. The content attribution concerns the specificity and difficulty of the goal. The intensity attributions main aspect is commitment, which refers to the level of attachment the person has to the goal.

Yearta et al. (1995) claim that the way a manager act is depend on the cognitive behavior of the manager. It is suggested by Bolisi et al. (2003) that in order to understand the cognitive behavior one has to understand the intention of the manager, the mental awareness to combine goals and action plans. Wood & Bandura (1989) present the Triadic reciprocal Causation model, which propose there is a relationship between: relationship behavior (B), cognitive and other personal factors (P) and the external environment (E). These factors influence each other and are linked to the performance of the firm.

According to Yearta et al. (1995), goal-setting activity can be described as a managerial tool as which works as a motivational technique. It should be shared between the manager and the employees to attain a higher performance. In addition, Mead (2005) mentions that it is the leader’s role to set high goals for the firm and influence the employees to follow.

The best way to achieve a goal is discussed by Crant (2000) who mentions the proactive behavior of a manager. Seibert, Kraimer & Crant (2001) describe a proactive manager as someone who creates a positive change in his/her environment. Wood and Bandura (1989) add that a proactive manager wants to take initiatives.

Hormozi et al. (2002) stress the importance of combining the identification of goals with the firm’s strategies. Further, Bryson and Roering (1988) advocate that a manager should have a strategic planning as it works as a detailed guideline for the company. In addition, Abels (1989) states that in order to be successful a firm planning is essential. Baker and Addams (1993) argues that there is a positive relationship between a firm’s degree of planning and its financial performance. Frese, Krauss & Friedrich (2000) add that a manager’s strategy affects the firm’s degree of planning. According to Yearta et al. (1995) there is a re-
relationship between level of goal difficulty and the perceived performance, which implies that a higher set goal would lead to a higher performance, and vice versa.

Lee (2004) discusses that a family business is a venture that is linked to a family identity that has a history, which consists by a large ownership of one or more families. In addition Sharma (2004) mentions that family businesses both have to take organizational and family aspects into consideration. Moreover, Gallo et al. (2004) claim that a family business plan less than a non-family business.
3 Method

In this section we will present how the study was conducted, which tools we used to fulfill our purpose. Firstly, a discussion why we chose the subject and a description of the sample will be given. Moreover, information how the data was collected and analyzed will be shown. Another part will present the research approaches chosen for our method. Finally, the chapter will also give a reflection of the method.

3.1 Choice of Subject

This master thesis follows a line of investigations made on small businesses by our professors at Jönköping International Business School (JIBS). The research was about managers and their strategic way of thinking and planning. The data was gathered from interviews with small business managers in the Jönköping region. The interview consisted of five major questions, from which we found one question interesting. This question concerned managers’ goal-setting strategies in small businesses. The selected question was five pages long and can be found in appendix 1.

During spring and autumn 2006 a group of four interviewers were trained to do interviews with the managers. The four interviewers asked the same question to every manager and took notes as the respondents answered. To minimize the variation in the data collection Gauri & Gronhaug (2005) recommend that the interviews shall be conducted in the same way in each case. In addition, most of the interviews were recorded, except for the few respondents who did not want to be recorded.

As the interviews were already made through the larger study, we had to create our own strategy on how to use the already collected interview data, in order to fulfill our purpose. Our strategy was a way to interpret the data and to make analysis. This section will present our way of working with the data.

3.2 Sample Description

Our sample consisted of 173 small business managers from the two selected municipalities, Tranås and Vaggeryd, within the Jönköping region in Sweden. According to Riffe (2005), a sample is a subset of an examined population and the most common goal of it is to represent the population. Riffe (2005) further discusses the importance of having a large sample size in order to be as correct as possible and thus, get a result as close to the real population as possible. Riffe (2005) also stresses the importance of random sampling, as each unit should have the equal chance of being selected in the study. Although, in our case there was a total sampling as all the small business were asked to be participate in the study. Hence, our sample was not a random sample as all the samples in the populations were included. However, the participation of the company did depend on the availability and interest in being interviewed.

From the responding firms, 11 of the interviews could not be a part of our thesis since they either had too many employees and thus could not be clarified as small businesses, or did not mention any goals at all. In other words, some interview material was not valid as it lacked or did not contain sufficient information to answer our purpose. After the selection the total valid number amounted to 162 small firms.

The companies had up to 49 employees with an average of 11. 89 of the firms or (54.9 %) were from Tranås and 73 or (45.1 %) were from Vaggeryd. The firms’ mean age was 35
years and the average manager was 51 years old. During the interviews the respondents have been asked if their company was a family- or a non-family business. 102 firms of our sample were family businesses.

The figure 3-1 below illustrates the educational distribution, the managers’ level of education. 34 managers had elementary school as their highest education. 78 had a degree from high school, 36 had a university degree and 14 answered other education.

![Figure 3-1: Highest Education.](image)

In the figure 3-2 below the average gross profit for the firms is displayed. The table shows that the average gross profit has increased each year during the last three years. The average gross profit for each year amounts to 1,245, 1,509 and 1,602 KSEK.

![Figure 3-2: Average Gross Profit.](image)

Further, of the 162 firms 67 were manufacturing companies, 74 were service companies while 21 were considered to be both manufacturing and service companies.
3.3 Business Research Approach

Zikmund (2003) argues that the main focus of a business research is to reduce uncertainty by producing information. We will reduce uncertainty by using both a qualitative and a quantitative research approach.

The nature our research is both exploratory and descriptive. Gauri & Gronhaug (2005) describe the exploratory research design as a way to understand a problem that is not clearly identified. Zikmund (2003) supports this as the explorative studies provide information about the problem and enhance future research within in the field. Yin (2003) mentions that in exploratory research, case study can be used to gather data. In our research we used materials from 173 small businesses. We used the goal-setting interview materials as case studies and a further description of the procedure will be given later on in the method section. Gauri & Gronhaug (2005) mention that flexibility and theorizing are two main aspects to consider. This was mainly done in when creating the frame of reference. Theories from different research areas were combined to give a background for the analysis and creation of new theories. The second issue that we had to consider when making an exploratory research was flexibility. Gauri & Gronhaug (2005) mention that the flexibility is used when trying to solve a problem and theorizing is useable when a problem area has not been examined to a great extent. Our research can be considered as case studies (Yin, 2003), which are an example of an exploratory research, in the qualitative part of our study. Yin (2003) further mentions interviews as the best source for gathering information for a case study.

This thesis can in addition be seen as a descriptive research. In our quantitative part of the research we try to describe the population or phenomenon and its characteristics (Zikmund, 2003). Gauri & Gronhaug (2005) say that this can be done as the problem is known and therefore is more structured in its nature. Zikmund (2003) agrees and clarifies that in descriptive research there is some previous understanding about the problem area and its nature. Gauri & Gronhaug (2005) have identified structure, precise rules and procedures as key characteristics for a descriptive research design. Zikmund’s (2003, p.58) example of a descriptive research problem is: “Did last year’s product recall have an impact on our company’s stock price?” Zikmund (2003) mentions that in descriptive research the nature of the research area is familiar and that it is a way to describe the population or phenomenon and its characteristics. This thesis is a research made in the field of manager’s goal-setting strategies, which can be argued to be an acknowledged area of research as there are as Zikmund (2003) mentions some previous understandings. However, we argue that our focus on proactiveness, small business and performance distinguish from the earlier research. In this way, we attempt to explore a new area and provide future researcher with new information. This will be done by combining theories as well as by making an attempt to identify the characteristics of the population. This can therefore be seen as both an exploratory and descriptive research.

3.4 Data Collection and Research Design

For this paper different techniques has been used for collecting data, Järvinen (2004) outlined four research techniques; interviews, observations, questionnaires and written materials. Järvinen (2004) discusses the use of a combination of different techniques for data gathering. We applied this to our thesis by using interview materials and written materials. Our focus was to minimize the errors in this stage of the research process as Zikmund (2003) points out that by reducing errors when collecting the data could be way to make good quality paper.
In this thesis we use both primary and secondary data. As Befring (1992); Zikmund (2003); and Welman, Kruger & Mitchell (2005) discuss primary- and secondary data differs to the extent that the first one consists of gathered information necessary to fulfill the purpose of a certain study or research, while the latter, is already collected for another purpose.

The primary data consists of the gathered and recorded information from the personal interviews from the managers. The primary information that we had access to was the notes and the recorded tapes from the interviews. We have retained secondary data through collecting existing data from earlier literature within the research field. The secondary information was used in the theoretical framework to give the reader a pre-understanding and thus a clearer picture of the research topic.

Two types of research methods were used in this thesis, both qualitative and quantitative. The type of research method chosen depends according to Jacobsen (2007) upon what kind of purpose and problem statements that needs to be answered. Grönmo (1996) supports this statement as he claims that the problem statement often decides which method to choose. In this thesis we have used a combination of both qualitative and quantitative methods, as we believe it is more appropriate for answering our purpose. Grönmo (1996) argues that the both research methods can be seen as complementary.

### 3.5 Qualitative Type of Study

The qualitative data collected for this thesis was made through interviews. As mentioned above, the primary data was collected through 173 personal interviews in Jönköping region in Sweden. Jacobsen (2007) explains that a qualitative method is suitable when one wants to clarify an undefined statement and for the ability to create understanding by the new description. Our qualitative research provided us to see the problem through a more holistic view (Davis, 1996). The questionnaire design can be found in appendix 2. To understand the nature of interviews this section will provide perspectives on the interview method.

#### 3.5.1 Interview Method

A personal interview is according to Zikmund (2003) a communication between an interviewer and a respondent, in a face-to-face situation. The four interviewers were all given the same instructions before the interview, especially important was the guidelines on what they needed the respondent to cover in their answers. This is supported by Österåker (2001) who stresses that when making the interviews it is essential that the interviewers make some guidelines for the interview and then let the respondent answer to the questions within this guide. In order to obtain the required amount of information for the study the questions asked were detailed constructed.

Even though we personally did not make the interviews we were informed on how the interviews were made, which instructions were given and evidently we had access to the interview material that was gathered. According to Österåker (2001) the interview should be a dialog between the interviewer and the respondent without the interviewers influencing the respondent with his/her own opinions and perspectives. The interview bias is when interviewer influences the respondent (Zikmund, 2003).

In the interviews a similar approach to Österåker's (2001) *the Silent Card Technique*, which is a method where a card is put on the table and the respondent is asked to tell his/her story about the card. In this way the interviewer gets to choose the topic of the discussion, but
leaves it up to the respondent on how to tell the story. This gives the respondent to interpret the card and the “questions” quite freely. It is important that the interview is silent after the cards are displayed, as it gives the interviewed person time to reflect on the card. By using goal cards the aim of this section of the interview was to find out which goal the manager considers being most important, and second most important goal to his/her company. Six goal cards were displayed for the respondent: (1) show initiative, (2) new marketing strategy, (3) develop (4), perform better than competitors (5) expanding and (6) gain more profit. The respondent was then given some time to arrange the cards, and rank them in a personal order. We consider this way of organize the interview more creative and visual. Also, it forces the respondent to use more human senses and perhaps give more honest answers. Österåker (2001) furthermore proposes that cards can be used as a way of minimizing the influence from the interviewer.

After the goal card selection, more focus was put on the first and second most important goal card. For each of the goals, the respondent was asked to identify three sub goals. Questions concerning the subgoals were asked in order to let the respondent speak freely about the goals and how they were planned to be achieved. A list of questions asked can be found in appendix 1. The interview was noted by the interviewers as well as recorded on tape in order to be sure that no information was lost. We used these interview notes and recording as qualitative data for our research.

3.5.2 Data Transferring

As mentioned earlier, the goal card techniques as well as questions were used in the interviews. We transferred the data from the interviews into a standardized answer sheet. The sheet works as a tool to transform the information and to make it accessible for the analysis. The sheet can be found in appendix 2.

The sheet was divided into two main sections, goal specificity and planning. It consisted of a number of scales, which we used to range the goal specificity, planning, and proactiveness. The sheet consisted of a series of scales, which were used to define the characteristics of the goal and the level of planning and proactiveness. In the first section, the goals were identified and sub goals are given a specificity level, in a five point scale. The scale is ranged from (1) not/low specificity to (5) high specificity.

The second section in the sheet consist of two parts, level of planning and reactive and proactive planning. These two parts are categorized in the same way as in the first section, 1 stands for low/reactive planning and 5 stands for high degree of proactive planning.

Before the coding of the interview was made, we were trained by Christian Friedrich in order to increase the skills in using this kind of method. We believe that the training that Christian Friedrich gave us can indicate a higher level of reliability as he had used the same technique before.

3.5.3 Training and Pre-tests

The training included two test situations, which would give us further training on how to interpret the interview material. A group of five persons was created, Professor Christian Friedrich, two of Jönköping International Business School teachers and the two of us. The first test round consisted of five interview samples. We first individually coded the interviews and transferred them into a standardized answer sheet. Then the whole group met to discuss the answers from the coded the interviews. As the interviews and the different
scales were not clearly defined, the coding resulted in a lot of discussions. The aim of these meetings was to create a standard definition of the goal specificity, planning and proactiveness in order to create a consistent measure of range in the scales. This measure would work as a guidelines and framework when working with coding of the primary data. After the first meeting we had gain some understanding however to be more convinced, another test round was made. The second test round was made in the same way, and this time we felt more confident when making the coding. During the second meeting we were given final instructions on how to precede our work of coding. The test rounds consist in total of 10 interviews, five at each time.

After the training we felt confident in how to code the interviews into the standardized sheets. In order not to affect each other’s coding, we were instructed to sit in separate rooms and individually code the 173 interviews. A lot of time and energy were put into the coding as this was our way to work with the interview material. As the work was done individually, the results could be compared and the inter ratio reliability could be checked. Reliability ratio refers to the ratio that shows how similar our coding was and a high ratio would indicate higher level of trustworthiness. More about these concepts will be presented in the trustworthiness section.

In 97 times (59.9%) of the goal-specificity coding we had exactly the same number. When we coded the type of planning the coding was exactly the same in 96 cases (59.3%). The coding of degree of planning corresponded in 95 times (58.6%). We want to stress the fact that there was a five-point scale in the answer sheets. Since the coding matched in an average of 60% of the cases it shows that we can chose either of our individual coding to use in the analysis. We then chose one of our coding.

Moreover, our interpretations and coding were written down on the standardized sheets. The information from the standardized sheets was then transferred into a database that we used for testing the hypotheses. The database was made in the statistical program Statistical Program for the Social Science (SPSS). The tests will be described in the method for data analysis.

3.6 Quantitative type of Study

The interview material was transferred to a database therefore treated our material as a quantitative study. A more detail on how we transferred the qualitative data will be found under Data Transferring section.

According to Davis (1996) the quantitative method tries to generalize the whole population by measuring and testing existing variables in numbers. Our aim of collecting data was to gather real life data in order to analyze the created hypotheses and thus, generate new knowledge within the field. We consider our sample of 173 companies to be a relatively large sample and we believe in Harrigans (1983) view that a large sample works as strength when making statistical analyses, as the research will be considered to be more statistical significant.

3.6.1 Method for Data Analysis

The frame of reference, including created hypotheses, created a framework for this paper. Harrigan (1983) states that by having a research design that includes multiple sites it is easier to conduct statistical test and making hypotheses. Further, DiCicco-Bloom & Crabtree
(2006) mention that there are two ways to create a research design for a paper. The first one is to create hypotheses before the research is conducted and the second one explore the subject and then generate hypotheses. The first way of creating hypotheses was used for this paper.

After creating the theoretical framework, the hypothesis and collecting the interview materials our next step was to analyze our data. Harrigan (1983) argues that data from multiple sources provides the researcher to crosscheck the data accuracy, which would help the researcher to make more accurate conclusions. The theories and the hypotheses were analyzed in light of the empirical evidence, the interviews. We used the SPSS to test our hypotheses.

3.6.2 The Statistical Tests

We have used Spearman Rho correlation in SPSS to see if there is a correlation between at least two continuous variables. SPSS generates a correlation matrix between, for instance, two variables. This result gives us three types of information: the correlation coefficient, the level of significance and the number of cases.

According to Bryman & Cramer (2005) cross tabulation, or contingency table, is one of the easiest and most common used techniques to illustrate either a presence or absence of a relationship. The method is most useful when each variable contains only a small number of categories. A possible relationship does not necessarily imply a perfect correlation between the variables. The example of smoking and lung cancer can illustrate what we mean. Most people have heard that smoking causes lung cancer, but it does not mean that everyone that smokes gets lung cancer or that lung cancer only afflict those who smokes.

The correlation coefficient shows a number between +1 and -1 and gives us an indication of the magnitude and direction of the relationship of the chosen variables. The magnitude illustrates the strength of the correlation, and the closer the correlation coefficient is to +1 or -1, the stronger the correlation. Thus, if the correlation coefficient is 0 or very close to 0, there is no or little correlation to the variables. The direction indicates how the variables are correlated. If there is a positive correlation, the variables have a positive correlation, which tells us that if one variable increases, so will the other one. If the correlations tends to be negative it is the vice versa, if one variable is decreases, so will the other.

Except for the value of the correlation coefficient we also check the p value. To see whether there is a significant correlation the p value has to be 0,05 or less and if that is the case, we accept the hypothesis.

Bryman & Cramer (2005) mention that a multiple regression is a frequently used technique for summarizing a relationship between variables and for making predictions using a set of independent variables to explain a part of the variance in a dependent variable.

3.6.3 Deductive Approach

We have used a deductive research approach, which according to Ghauri & Gronhaug (2005) is a way to draw conclusions from theories and models, to see if they are true or false. The deductive approach focuses on the logical perspective. It refers to that the researcher draw conclusions that might not be true but logical. This can be done through creating hypotheses from existing literature. These hypotheses can then be accepted or rejected. Further, Johnson & Gill (2002) recommend that for deductive hypotheses testing
research one should strive to identify extraneous variables, as these tend to affect the dependent variables. By identifying those validity of the research design and the hypothesis would increase. This would also facilitate when making correct assumptions about the independent and dependent variables. Moreover, Ghauri & Gronhaug (2005) mention that the deductive research is often connected with quantitative research. This thesis will use a deductive approach as the hypotheses are created from existing theories. The data that was transferred into a database was therefore used through a deductive approach. This approach can be further supported by the hypotheses that we made and tested with the use of the database.

3.7 Reflection of the Chosen Method

After collecting the data and making the analysis, Yin (2003) stresses that one has to consider the quality of the research. Our aim was to get the best quality possible of our research. Burns (2000) describes the validity and reliability means of testing the quality of a research. The qualitative research approach has some drawbacks concerning this. It is argued that the subjective nature of qualitative research can be affected by many influences which can influence the overall outcome of the report.

Burns (2000) describes reliability as if collected data would give the same result if conducted constantly and collected with the conditions. Therefore, that it is essential that the procedure used for the research is described well and documented in order for other researcher to be able to do the research once again and confirm or falsify the analysis. In order to increase the reliability of this paper, all the interviews were recorded, the interviews notes documented and the answers coded into an answer sheet transferred into a database. Further, the way of researching is described and appendix 1. This allows other researcher to replicate our research.

Burns (2000) mention that validity is to assure that the research is studying what it is supposed to study. Agreeing with this, Zikmund (2003) adds that the answers should reflect accurately and be relevant to the study. Järvinen (2004) states that theories and models used should reflect on the reality. The interpretation of validity in this thesis has been focused on the purpose and to which extent it is fulfilled. During the writing process, the purpose of the thesis has worked as a guideline both when acquiring theories and when making the interviews. By having this in mind and constantly measuring the paper with its main purpose, we believe validity has been considered.
4 Results

In the following section we will present the results from our research. We will start by presenting the distribution of the sample, the goal card ranking and then show the results for the five hypotheses.

4.1 Hypotheses

4.1.1 The 1st Hypothesis

The higher the level of proactive planning a manager shows, the higher is the level of goal-specificity.

The table 4-1 below shows the spread distribution of the level of goal-specificity according to type of planning, where category one (1) stands for low degree of proactive planning and category five (5) indicates high degree of proactive planning. As can be seen in the table below the distribution appears to follow similar patterns for both categories so that someone with higher goal specificity also scores higher on “type of planning”. In order to see whether this correlation is statistically significant we have conducted a correlation test.

Cross Tabulation

<table>
<thead>
<tr>
<th>Goal-Specificity</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Planning</td>
<td>1,00</td>
<td>14</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Planning</td>
<td>2,00</td>
<td>16</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>3,00</td>
<td>12</td>
<td>24</td>
<td>2</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>Planning</td>
<td>4,00</td>
<td>8</td>
<td>43</td>
<td>11</td>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>5,00</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>93</td>
<td>16</td>
<td>3</td>
<td>0</td>
<td>162</td>
</tr>
</tbody>
</table>

Table 4-1: Cross Tabulation 1st Hypothesis

Correlations

<table>
<thead>
<tr>
<th>Spearman's Rho</th>
<th>Type of Planning</th>
<th>Goal-Specificity</th>
<th>Type of Planning</th>
<th>Goal-Specificity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's Rho</td>
<td>Correlation Coefficient</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
<td>Correlation Coefficient</td>
</tr>
<tr>
<td>Type of Planning</td>
<td>1,000</td>
<td>0,000</td>
<td>162</td>
<td>162</td>
</tr>
<tr>
<td>Goal-Specificity</td>
<td>,528(**)</td>
<td>1,000</td>
<td>528(**)</td>
<td>1,000</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.05 level (2-tailed).

Table 4-2: Correlations 1st Hypothesis
From the correlation test in table 4-2 above we can see that there indeed is a correlation between high level of proactive planning and level of goal specificity (p. 0.000 < 0.05). This implies that when a manager shows a high level of proactive planning, the more specific the manager is when specifying goals for the company. In the table we can also see that the correlation coefficient is 0.528, which is rather high as it has as a correlation coefficient has a value ranging from 1 to -1, where 1 illustrates a strong relationship between the two variables. Thus, we accept our first hypothesis.

4.1.2 The 2nd Hypothesis

The second hypothesis suggests that a higher level of degree of planning implies a higher level of goal specificity.

Table 4-3 below shows the spread distribution of the degree of planning and the level of goal-specificity, where category one (1) stands for low degree of planning and category five (5) exemplifies high degree of planning. As can be seen in the table below the distribution of degree of planning appears to be rather high when the level of goal-specificity is high as well. Thus, managers showing a high degree of planning also show a high level of goal-specificity. In order to see whether this correlation is statistically significant we have conducted a correlation test. See table 4-4.

Cross Tabulation

<table>
<thead>
<tr>
<th>Degree of Planning</th>
<th>Goal-Specificity</th>
<th>1,00</th>
<th>2,00</th>
<th>3,00</th>
<th>4,00</th>
<th>5,00</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,00</td>
<td>15</td>
<td>4</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2,00</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>3,00</td>
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<td>2</td>
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<td>0</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>4,00</td>
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<td>11</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>62</td>
</tr>
<tr>
<td>5,00</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>93</td>
<td>16</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>162</td>
</tr>
</tbody>
</table>

Table 4-3: Cross Tabulation 2nd Hypothesis

Correlations

<table>
<thead>
<tr>
<th>Spearman's Rho</th>
<th>Degree of Planning</th>
<th>Correlation Coefficient</th>
<th>Degree of Planning</th>
<th>Goal-Specificity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal-Specificity</td>
<td>Sig. (2-tailed)</td>
<td>1,000</td>
<td>,559(**)</td>
<td>0,000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>162</td>
<td>162</td>
<td>162</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.05 level (2-tailed).

Table 4-4: Correlations 2nd Hypothesis
The data in table 4.4 tells us that there is a correlation between a high managerial planning and a high level of goal-specificity (p. 0.000 < 0.05). Thus, we accept the null hypothesis. When a manager involves a high degree of planning, the higher is the level of goal-specificity. We can also see that the correlation coefficient is 0.559, which is rather high as it has as a correlation coefficient has a value ranging from 1 to -1, where 1 illustrates a strong relationship between the two variables. Thus, we accept the second hypothesis.

4.1.3 The 3\textsuperscript{rd} Hypothesis

The third hypothesis implies that a higher level of proactive planning implies a higher degree of planning.

Table 4.5 below demonstrates the spread distribution of the level of planning and the type of planning, earlier described as proactiveness. One can see that most small business managers show a comparable pattern, hence when a manager has high level of proactive planning he/she also employs a high degree of planning. In order to identify whether there is statistically significant we have made a correlation test.

**Cross Tabulation**

<table>
<thead>
<tr>
<th>Degree of Planning</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,00</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>2,00</td>
<td>0</td>
<td>21</td>
<td>11</td>
<td>3</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>3,00</td>
<td>0</td>
<td>2</td>
<td>17</td>
<td>17</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>4,00</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>38</td>
<td>4</td>
<td>62</td>
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<td>5,00</td>
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<td>0</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>34</td>
<td>38</td>
<td>63</td>
<td>9</td>
<td>162</td>
</tr>
</tbody>
</table>

Table 4-5: Cross Tabulation 3rd Hypothesis

**Correlations**

<table>
<thead>
<tr>
<th>Spearman's Rho</th>
<th>Degree of Planning</th>
<th>Correlation Coefficient (2-tailed)</th>
<th>Type of Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Degree of Planning</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Type of Planning</td>
<td>Correlation Coefficient</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Spearman's Rho</td>
<td></td>
<td>1,000</td>
<td>0,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>**</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.708(**)</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Correlation Coefficient</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>.708(**)</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>0,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>**</td>
<td>160</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.05 level (2-tailed).

Table 4-6: Correlations 3rd Hypothesis
The data in table 4-6 above shows that at a high level of proactive planning implies a high degree of planning (p. 0,000 < 0,05). As correlation measures a relationship between two variables and correlation coefficient of 0,708 is close to one (1), which indicates a strong relationship. (As degree of planning and type of planning are rather similar, this was not a very surprisingly result. As a manager’s degree of planning in some way also consists of what kind of planning he/she uses we do not find this as too astonishingly. Thus, we accept our third hypothesis.

4.1.4 The 4\textsuperscript{th} Hypothesis

The fourth hypothesis suggests that that the higher the level of planning the higher the firm’s financial performance.

### Correlations

<table>
<thead>
<tr>
<th>Spearman's Rho</th>
<th>Degree of Planning</th>
<th>Correlation Coefficient</th>
<th>Gross Profit 05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Spearman's Rho</td>
<td></td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Degree of Planning</td>
<td></td>
<td>Correlation Coefficient</td>
<td>Gross Profit 05</td>
</tr>
<tr>
<td>Gross Profit 2005</td>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td></td>
</tr>
</tbody>
</table>

Table 4-7 : Correlations 4\textsuperscript{th} Hypothesis

The correlation coefficient shows 0,056, which is close to zero and it gives an indication of the magnitude and direction of the relationship of the chosen variables. The magnitude illustrates the strength of the correlation, and since the correlation coefficient is very close to 0, there is no or very small relationship between the two variables. As p,0,559 > 0,005 there seems to be no statistical correlation between the degree of planning and the gross profit and we therefore reject our forth hypothesis. Thus, a high degree of planning does not imply a higher financial performance.

However, as we believe there are other variables that might be of importance we will present a regression, which includes more variables that might affect the gross profit except for the degree of planning.

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>,497\textsupers{a}</td>
<td>,247</td>
<td>,196</td>
<td>2906,881</td>
</tr>
</tbody>
</table>

(a)Predictors: (Constant), Degree of Planning, Goal-Specific, Type of Planning, Family Business, Age of the Company, Number of Employees.

Table 4-8 : Model Summary.
R Square is an important number and describes how large part of the variation in profit that comes from the variables examined. In our case, 0.247 or 24.7% of the gross profit (dependent variable) is described by the chosen (independent) variables.

**Coefficients (a)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2276.204</td>
<td>1388.271</td>
</tr>
<tr>
<td>Degree of Planning</td>
<td>-292.035</td>
<td>408.169</td>
</tr>
<tr>
<td>Goal-Specificity</td>
<td>1058.067</td>
<td>614.484</td>
</tr>
<tr>
<td>Type of Planning</td>
<td>113.302</td>
<td>415.184</td>
</tr>
<tr>
<td>Family Business</td>
<td>822.241</td>
<td>653.524</td>
</tr>
<tr>
<td>Age of the Company</td>
<td>-10.401</td>
<td>10.002</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>111.775</td>
<td>25.670</td>
</tr>
</tbody>
</table>

Dependent Variable: Gross Profit 05

Table 4-9: Coefficients.

As can be seen from table 4-9 above, the degree of planning is not significant correlated with the dependent variable (gross profit). Neither are the other variables, except for the number of employees. We therefore reject our fourth hypothesis and argue that a high degree of planning does not imply a higher financial performance.

### 4.1.5 The 5th Hypothesis

*According to the fifth hypothesis, family businesses show a lesser degree of managerial planning than non-family businesses.*

In table 4-10 below the distribution of family and non-family businesses are shown. The alternatives are demonstrated by one (1) for a family business and two (2) indicates that it is a non-family business. A low degree of planning is illustrated by one (1) and five (5) implies that there is a high degree of planning. As can be seen below the distribution appears to follow similar patterns up to the third degree of planning (3), hence there seems to be no difference in level of planning between a family and a non-family business. On the other hand degree four and five non-family businesses seem to have a higher degree of planning than family businesses. To see whether the correlation is a statistical significant, a correlation test is necessary. The correlation is presented in the table 4-11.
Cross Tabulation

<table>
<thead>
<tr>
<th>Family Business</th>
<th>1 (Yes)</th>
<th>2 (No)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>14</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>24</td>
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</tr>
<tr>
<td>3</td>
<td>24</td>
<td>11</td>
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</tr>
<tr>
<td>4</td>
<td>36</td>
<td>24</td>
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</tr>
<tr>
<td>5</td>
<td>3</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>57</td>
<td>158</td>
</tr>
</tbody>
</table>

Table 4-10: Cross Tabulation 5th Hypothesis

Correlations

<table>
<thead>
<tr>
<th>Spearman's Rho</th>
<th>Degree of Planning</th>
<th>Correlation Coefficient</th>
<th>Degree of Planning</th>
<th>Family Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business</td>
<td></td>
<td></td>
<td>1,000</td>
<td>0,078</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0,078</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>0,331</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Correlation Coefficient</td>
<td>159</td>
<td>157</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0,331</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>157</td>
<td>160</td>
</tr>
</tbody>
</table>

Table 4-11: Correlations 5th Hypothesis

The correlation coefficient shows 0,078 and is close to zero and implies little or no correlation. As the table above shows, p. = 0,331 < 0,05, it implies that there is no correlation between level of planning and whether the business is a family or a non-family business. Thus, a family business does not necessarily imply a lower level of planning than a non-family business and we therefore reject our fifth hypothesis.
Several studies have focused on the relationship between goal-setting and performance (Bolisi et al. 2003; Hannon and Atherton 1998; Bramberger, 1986; and Yearta et al. 1995). We add a new perspective on the research topic by including proactiveness. Both qualitative and quantitative research approaches were used in order to gain a better understanding of the problem area. For the latter one, hypotheses were created. The analysis will be presented with respect to the disposition of the hypotheses.

Theories have shown that managers in small businesses can have different roles in a company. A small business manager tends to have more influence in on how activities are performed than in a larger business. Motivation is seen to be one method to trigger managers, as well as employees, to affect a small firm’s performance (Bolisi et al., 2003). Moreover, a small business manager is influenced by previous decisions and experiences when setting new goals and making new decisions.

5.1 Hypotheses

The model below represents the aspects that we have considered when creating our hypotheses. These five circles reflect upon the purpose of the research, the small business managers’ goal setting strategy, especially on proactiveness, goal-specificy and performance. One can perceive the five circles as the five hypotheses used in this thesis.

Figure 5-1: The Five Hypotheses: Circles of Goal-Setting Strategy (Authors’ Model).

5.1.1 Goal-Setting and Proactiveness

The first hypothesis suggests that the higher the level of proactive planning a manager shows, the higher is the level of goal-specificy

Our first hypothesis strived to understand the relationship between a proactive manager and the level of goal-setting. A proactive manager has been described as a person who wants to develop and make changes in his or her environment (Bateman & Crant, 1999). In
addition, Crant (2000) states that the best way to achieve a goal is when the manager has a proactive behavior. Yearta et al. (1995) further suggest that goal-setting is a managerial tool focused on achieving the objective of an organization. Our results have supported this theory by our hypotheses tests.

From the correlation test we found out that there was a significant correlation between high level of proactive planning and the level of goal-specificity as $p = 0.000 < 0.05$. The correlation coefficient was 0.528, which indicates that there was a strong positive correlation. As we accepted the first hypothesis, we argue that a small business manager with high proactive planning tends to have high level of goal-specificity.

Our findings are consistent with Kickul & Gundry (2002) who suggest that the proactive personality influences the firm’s strategic orientation by choices and actions. These choices and actions can be referred to the goal-setting activities. For instance there are three situations that Bolisi et al. (2003) present regarding identification of goal-setting. The first one is the goals set by management, the second is the participation of employees when setting goals and the last one is when employees are told to do their best.

Wood and Bandura (1989) argue that a proactive manager finds innovative ways to influence people. Further, Crant (2001) argues that the proactive personality would create a positive change in the environment regardless of any constrains. We therefore claim that a proactive manager would be more active than a reactive manager even though they are faced with obstacles. This means that proactive managers see opportunities when others might not. A small business can have an advantage when it is lead by a proactive manager as he/she creates new opportunities (Kickul & Gundry, 2002). In addition, Crant (2000) states that the proactive person wants to have control over the situation and strives to minimize uncertainties, in this way the firm’s uncertainties can be minimized as well.

Yearta et al. (1995) argue that a firm’s performance is considered to be higher when goal-setting activities are shared between a manager and his/her employees. In order for the firm to get the best outcome the authors also claim that the goal-setting is an activity that both the manager and the employees should be a part of. Our results show that this can be done with proactive personality as the manager takes initiatives (Crant, 2000). In addition, Bolisi et al. (2003) three situations of goal-setting the first and the second situation would result in the highest performance since it is a collective effort.

Further, the manager who loves his/her work would, according to Locke (2004), set more challenging goals for themselves and the firm. We find this to be an interesting aspect as a person that has passion for the work might become more proactive and thus, be more specific in the goal-setting. Moreover, Field & Keller (1998) argues that the manager’s role in a firm is to motivate the team of employees to achieve the predefined goals. Mead (2005) agrees and adds that the leader should influence and make the employees follow by setting high goals. Managers that have a passion might find it easier to motivate people as they themselves are motivated. The quote by Baum & Locke (2004, p 7) can be applied to this as:

“...big dreamers are big communicators and that vision communication will occur with visions for high growth because big dreamers need support from employees and resource constituents to achieve their dreams.”
5.1.2 Planning and Goal-Specificity

The second hypothesis suggests that a higher degree of planning implies a higher level of goal-specificity.

In order to test the second hypothesis we conducted a correlation test. As \( p = 0.000 < 0.05 \), the result indicated a significant correlation between a high degree of planning and a high level of goal-specificity. Thus, we accepted our second hypothesis. The result also showed that the correlation coefficient was 0.559, which implies a positive relationship and we argue that managers that are involved in a high degree of planning, have a higher level of goal-specificity.

To discuss this further, we need to explain how our method was used as a tool to identify and understand the two variables, degree of planning and goal-specificity. The standardized sheets that were used to transfer the interview data included different scales to identify the level of goal-specificity and planning. The subgoals were ranged on a five point scale, from (1) low specificity to (5) high specificity. The goal-specificity scales were based on how time bound and measurable the subgoals were.

The measurability can be compared with one of Bolisi et al. (2003) goal attribution, the content. This content attribution includes specificity and difficulty, the first referring to how vague or specific the goal is, while the second one suggests that different individuals perceive a goal differently depending on earlier experience, knowledge and skills. In our case, we ranked the goals high on a specific level when the timeframe, dates, numbers and percentages were given. In contrast, those who did not give specific or sufficient information were scored low on the specificity scale.

As far as the effect the degree of planning has on goal-specificity is concerned one can agree upon Bolisi et al. (2003) and Wood and Bandura (1989) opinions. They discuss the cognitive behavior of the manager and how it affects the firm. Yearta et al. (1995) add by arguing that managers’ cognitive behavior reflect on planning and goal-setting. Below Wood and Bandura’s (1989) The Triadic Reciprocal Causation Model is presented combined with previous theories.
The Manager:
Cognitive Personality, Planning, Goal specificity

The model describes three aspects that influence and affect the performance of the firm; relationship behavior (B), cognitive and other personal factors (P) and the external environment (E) (Wood & Bandura, 1989). The first one is the Personal factor can be described as the managers perspective which includes; the cognitive behavior (Wood & Bandura, 1989), the planning (Wood & Joyce, 2003) and goal specificity (Latman and Locke, 1991). Secondly, the relationship behavior has been connected with the firm and the employees. The reason for this is that Yearta et al. (1995) suggest that for example goal-setting should be shared between the manager and the employees to get a higher performance. Further, Field & Keller (1998) suggest that it is the manager’s responsibility to influence and clarify goals and make everyone in the firm involved, this is mainly done by decision making. Lastly, the external environment has been put together with the environment, which the firm competes in; the small business environment (Woods & Joyce, 2003; Robinson & Pearce, 1984) and family business (Gallo et al., 2004).

The interviews were made on small business and Wood and Joyce (2003) state that the business managers’ personalities in these firms reflect on the overall business strategy. In addition, the sample consisted of 102 family businesses, which according to Mitchell, Morse & Sharma (2003) take both family and business aspects into consideration. The managers’ planning and goal-setting therefore affect the small businesses and the family business more. Baum & Locke (2004) confirmed this by mentioning that the manager in a small company has more influence in a small firm more compared to a larger company.
We accepted our second hypothesis that the managers that are involved in a high degree of planning have a higher level of goal-specificity. This can be supported by for example Hunt (1999) who states that a firm need to be specific in the planning to get positive outcomes.

5.1.3 Proactiveness and Planning

Figure 5.5: Circles of Planning & Proactiveness.

The third hypothesis implies that a higher level of proactive planning implies a higher degree of planning.

In the third hypothesis the cross tabulation showed that most of the small business managers had a similar pattern, which mean that when the managers had a high degree of proactive planning, they also appeared to have high degree of planning. In addition, we also did a Spearman’s correlation test, which showed $p = 0.000 < 0.05$ and we therefore accepted our third hypothesis.

As the correlation coefficient measures a relationship between two variables and correlation coefficient of 0.708 is close to one (1), which indicates a strong positive relationship between degree of managerial planning and proactiveness. As the degree of planning and type of planning are rather similar, this was not a very surprisingly result. As a manager’s degree of planning in some way also consists of what kind of planning he/she uses we do not find this as too astonishingly. We refer this to Kickul & Gundry (2002) who stress the importance of strategic planning as it is a part of strategic management. The manager should, according to Armstrong (1982), have a detail planning as it can be a guideline to a stable position in the business market. This can be supported by Bryson and Roering (1988, p 294) definition of strategic planning:

"… focusing attention on what is “important”,

setting priorities for action, and generating those actions”.

When taking a closer look at the second row of the quote; setting priorities for action and generating those actions it can be applied to a proactive person as Lumpkin & Dess (1996) describe that proactiveness provides the firm with innovative activities and new-venture activities.
5.1.4 Planning and Performance

Figure 5-6: Circles of Planning & Performance.

The fourth hypothesis suggests that the higher the degree of planning the higher the firm’s financial performance.

Several studies claim that there is a positive relationship between a firm’s planning and performance (Woods & Joyce, 2003: Frese, Krauss & Friedrich, 2000: Baker & Addams, 1993: Bramberger, 1986 and Robinson & Pearce, 1984). In addition, Ansoff (1991) argues that planning, in contrast to trial and error learning, generates a better financial result. Hormozi et al. (2002) highlight that planning is especially vital for small businesses as it works as an effective tool to organize goals and objectives.

In our hypothesis test, the relationship between the degree of planning and the financial performance (gross profit) was tested. The result showed a correlation coefficient 0.056, which is very close to zero, and thus there is either a strong positive or negative correlation. As $p > 0.005$ there did not seem to be any statistical correlation between the degree of planning and the financial performance and we therefore rejected our forth hypothesis. Thus, we concluded that a high degree of planning does not imply a higher financial performance.

As we reject the hypothesis, we disagree with the mentioned researchers and their theories as we argue that there is no relationship between the degree of planning and a small business’s financial performance.

However, there are some theories that support our findings. For instance, Miller & Cardinal (1994) argue that strategic planning is dysfunctional and even claim planning to be irrelevant as it produces too much inflexibility. Wood & Joyce (2003) agree and discuss that for the manager in the small business the motivation lies in the flexibility, spontaneity and therefore differs from managers in larger firms. It is argued that the business world is dynamic and changing, therefore planning is a waste of time as well as it takes the pleasure out of running your own business.
5.1.5 Planning and Family Business

According to the fifth hypothesis, family businesses show a lesser degree of planning than non-family businesses.

Researchers argue that small family businesses plan differently compared to non-family businesses (Gallo et al., 2004; Mitchell et al., 2002; Teal & Felan 2001). Sharma (2004) discusses that a family business both considers the business- and the family perspective, which ends up in constructive goal theories for the family business. Those can be seen as financial as well as non-financial goals. Sharma (2004) also discusses that family businesses do not have the same focus on growth and development as non-family businesses.

In our tests we examined if family businesses have less degree of planning than non-family businesses. The correlation coefficient was 0.078, which is close to zero and indicates little or no correlation. As the level of significance was p. = 0.331 > 0.05, it implies no statistical significant correlation and we therefore rejected the fifth hypothesis. Thus, there was no significant correlation showing that family businesses plan less than non-family businesses.

We could therefore not fully agree to Gallo et al. (2004) theories, which claim that there is a difference between the degrees of planning in a family business compared to a non-family business. The reason is that they argue that family businesses do not have the same desire and commitment to grow as non-family businesses do. As Yearta et al. (1995) discuss, the cognitive personality of the manager affect the decision making process and this can in turn influence the planning in the firm. Wood and Joyce (2003) agree as they argue that the personality of the manager influences more on the strategies in the small business. Our hypotheses have shown that planning does not affect the performance and neither does the degree of planning differ between family and non family business.
6 Conclusion and Discussion

This section will provide conclusion and discussion based on theories and the results from the empirical data. This will include The Three Diamonds Model with its different aspects, concluding remarks, limitation of the study, future study and acknowledgements.

6.1 Synergy of Goal-Setting Strategy: The Three Diamonds

The purpose of this thesis was to investigate managers’ goal-setting strategies, focusing on goal-specificity, planning, proactiveness, and financial performance in small businesses in the Jönköping region, Sweden. While conducting this research paper the analysis of our results provided some interesting aspects. We discovered some similarities and patterns from previous research theories, but also some differences.

The patterns that we discovered can be explained through The Three Diamond Model that we have created (See figure 6-1 below). The model consists of the three diamonds: planning, goal-specificity and performance. These three factors have been our main focus throughout the research. The blue circles represent our hypotheses; proactiveness, family business, planning goal-specificity and performance. The manager has been placed at the top of the model as he/she influences both the diamonds and the hypotheses. The arrows indicate relationships that we have found in our research while the walls around the performance diamond indicates that we did not identify a correlation. All the different sections will now be explained further.

![The Three Diamonds Model (Authors' Model)](image)

6.2 The Manager

On the managers’ level we have found aspects regarding the personality of a manager and how proactive he/she is. Bolisi et al. (2003) and Wood & Bandura (1989) discuss the cogni-
The personal factors that can be related to the manager are the cognitive personality, how the planning works and the level of goal-specificity. By adding previous theories, we suggest that there is a link between a manager’s cognitive behaviors in terms of the decision making process in planning and thus how specific the goals are. Bolisi et al. (2003) discuss how the motivation works as a trigger for the manager and the employees. Further, the different factors in the model influence each other through different directions (Wood and Bandura, 1989). Latman and Locke (1991) suggest that the manager is the key person who can use these ways to persuade the employees and thus, increase the goal commitment.

Through our findings we have observed a correlation and therefore we suggest that a proactive person directly influences the planning of a small business. Bateman & Crant (1999) suggest that a proactive person wants to develop and make changes in his/her environment. A proactive person is said to find new solutions and is constantly shaping his/her own environment, and by shaping the environment they create their own goals. As our results show that there is a high correlation between proactive planning and goal-specificity we assume that the goals set by the proactive manager are specific, as they are highly motivated to achieve these goals. A manager using proactive planning therefore becomes more active in taking actions.

In addition, we believe that the managers’ proactive behaviors include finding opportunities in the environment (Crant, 2000) and overcoming of the obstacles (Bolisi et al, 2003). In accordance with Wood and Bandura (1989) we argue that a proactive manager will find innovative ways and opportunities to influence people and thus overcome problems along the way.

In the three diamond model we have put the family business hypothesis in the top right corner. The reason for this is that we believe it illustrates the background of the manager.
The family business is part of the relationship behavior, which includes both the firm and
the employees within. We suggest that the motivation for commitment depends on the
managers’ personality and visions rather than if it is a family or non-family business.

6.3 The Diamonds

The results showed that there is a link between planning and goal-specificity. However, the
wall in the figure shows that there is no correlation between goal-specificity and financial
performance. This is an interesting finding as it also implies that there is no relationship be-
tween planning and performance as well. Perhaps this can be related to the goal-setting ac-
tivity, which according to Bolisi et al. (2003) is something that both the manager and
his/her employees should be a part of.

As our research consist of small firms, we claim that managers plan impulsively, without
including the employees in the planning and goal-setting process. However, when we
coded the interviews we got the impression that those who were detailed in their goal-
setting also gave more specific plans on how to achieve their goals. Another aspect that we
have considered regarding small business managers is that their passion to work sets more
challenging goals for themselves but also for the interest of the firm (Locke, 2004). We find
this to be an interesting aspect as a manager that has passion for work might become more
proactive and thus, be more specific in the firm’s goal-setting.

We argue that there is no relationship between performance and family business. As we re-
ject the hypothesis, we disagree with previous research theories as we argue that there is no
relationship between the degree of planning and a small business’s financial performance.
This is in fact interesting as the result indicates that other variables affect the firm’s finan-
cial performance.

As we rejected the fourth hypothesis concerning small businesses degree of planning and
financial performance as well as the fifth hypotheses we conclude that the degree of plan-
ning does not tend to be as essential as some researchers have argued.

6.4 Concluding Remarks

The results from the first three hypotheses were not found to be unexpected as we as-
sumed that planning, the level of goal-specificity and proactiveness to a large extent, depend
on a managers’ strategies and ambitions. However, the final two hypotheses have helped us
discover new patterns and add to previous theories. We have made two main contributions
by conducting this master thesis. The first one is that a high degree of planning does not imply a higher level of financial performance. The second one is that family businesses do
not show a lesser degree of planning compared to non-family businesses. One should note
that these contributions are related to small businesses.

6.5 Limitation of the Study

Although this study has interesting and valuable findings, some limitations have been ac-
knowledged. Zikmund (2003) mentions that personal interviews can have disadvantages.
One drawback can be that the respondent is not anonymous and that a manager might not
feel confident in revealing company information. Different interview techniques may affect
the result and lead to an interview bias. Even though there were four people who did the
interviews, there might have been some bias between the ways that questions were asked. This could be one drawback of making a qualitative method in this topic.

Further, Zikmund (2003) mentions that an interviewer can influence the respondent by for example using a different tone in voice or rephrasing question. This can also have been the case as different persons made the interviews. The body language, gestures, the way of talking and describing might differ and affect the results.

The fact that we did not do the interviews ourselves can be seen as a limitation. However, one should note that collecting a sample size of 173 small businesses is difficult and by using an external source for interviewing we managed to put more energy on working with the empirical data.

6.6 Future Research

After recognizing the limitation of our study, we have identified problem areas that can be studied in future research. For example, it would be interesting to test our hypotheses in other areas and regions as well as in medium-sized and/or larger companies to see whether the results are the equivalent. Will there be any similarities or patterns?

Another suggestion is to examine the two municipalities, Tranås and Vaggeryd and compare these two. As Vaggeryd is part of the “Gnosjö Spirit” it would be interesting if the findings differ from the other municipality.

Finally, our dependent variable was gross profit and it could be interesting to examine other variables as dependent variables to see whether the relationship between a firm’s degree of planning and financial performance would be any different.

6.7 Acknowledgements

We would like to express our gratitude to all you who, in one way or another, have for helped and guided us during our research process. Your support and advice have been valuable throughout the procedure of writing our thesis.

Ethel Brundin
Karin Hellerstedt
Christian Friedrich
Caroline Wigren

Furthermore, we would like to express our gratitude to the group of four who did all the interviews with the 173 small businesses. A special appreciation to all the managers who participated in this research, without you this master thesis would not have been possible.

Nisha Purohit & Fredrik Stark
Jönköping International Business School, June 2007
References


Appendices

Appendix 1

Interview of Small Scale Entrepreneurs / Business Owners  
in Småland 2006

Dr. Ethel Brundin
Dr. Caroline Wigren
Prof. Dr. Christian Friedrich

Start / Introduction

"Can I talk to the owner?"

"For how long do you own this business now?"

"Can you tell me, how many employees you employ here in this business?"  
(max. 49 employees)

"All of the information that you give us will be kept absolutely confidential."

"The interview will take about 1.5 hours. All of those interviewed found it inter-
esting to participate, because it gives you a chance to think about how you have 
done things and it may give you ideas of how to be more effective in the future.  
If you are interested in the results, we will send you a short report of our re-
search, after we have finished our study."

"We would appreciate it, if we could tape record the interview."

Before you begin

make sure that background sounds are reduced as far as possible.

note: - the subject number (your personal number plus running number of 
this person) on all pages of your notes!

 - your name

 - date

 - time of interview start and after you've finished the time of interview 
end

questions marked with (F): Fact information, no detailed report necessary 
questions marked with (D): Detailed description of the subject's words nec-
essary - also and particularly his / her examples.
1. General Information

1.0  (F) Are you Mr./Mrs. X?

1.1  (F) Are you the owner of this business?

10.7.1  (F) Are there any other owners? (active, inactive?)

10.7.2  (F) Were you the person I talked to last time, in 2001? ➔ if "yes", go to 1.2

10.7.3  (F) Is the owner I talked to still active in the business? ➔ if "yes", try to make a new appointment with the appropriate person!

10.7.4  (F) When did you take the business over? (day, month, year)

10.7.5  (F) How much did you pay for it?

10.7.6  (F) Are you a family member? ➔ if "no", go to 1.2

10.7.7  (F) How are you related to the former owner?

1.2  (F) Did you start this business yourself?

1.3  (F) When did you start your business?

1.4  (F) How many employees do you have at the moment?

1.4.1  (F) How many of your employees are full-time employees?

1.4.2  (F) And how many are from your extended family?

1.5  (D) Which line of business are you in? Please describe your products.

1.6.1  (F) How many hours do you work per week?

10.7.1  (F) How many months do you work per year?
10.7.2 (F) What are the opening hours of your business? (per week)

1.7.1 (F) Are you a member of the chamber of commerce?

1.7.2 (F) Are you member of a co-operative?

1.7.3 (D) Are you member of any other association society or club that helps you to enhance your business? Please specify.

1.8 (F) Do you have a written business plan? ➔ if "no" got to 2.

1.8.1 (D) What time period does your business plan cover?

2. Human Capital

2.1 (F) For how many years did you go to school?

2.1.1 (F) What's your highest degree of formal education?

2.2 (F) Have you ever received training concerning entrepreneurship or self-employment?

2.3 (F) Were you ever employed while you were a business owner? (When?)

2.4 (F) What is your age?
3. Targets, Goals, Strategies

"In the following we are interested in your goals for your business. (What are you most interested in? What targets do you have? What do you want to achieve in your business?)

We have written down a number of goals that have been shown to be important. We would like to know, which ones are most important for your business and which ones are least important. Please bring these cards into an order of importance. Start with the most important one, then select the second most important one, etc.

_write down the ranking of the cards: G1 "show initiative", G2 "new marketing strategy", G3 "improve…", G4 "perform better than competitors", G5 "expanding", G6 "make more profit"._

Ranking: ______  ______  ______  ______  ______  ______

_In the following, discuss the two most important goals (no.1 and no.2) in detail with regard to goal specificity, goal difficulty, and strategy._

**GOAL 1**

3.1(D) Can you tell me a bit more about your goals in this area (point to goal no.1); what do you want to achieve in this area? What do you aim for?

_write be sure not to suggest any specificity! If no answer, repeat the question twice - "what-question"._

_show various answer scales_

Now pick out the three most specific and precise subgoals of goal card no. 1 and ask the following question for each subgoal separately (one after the other). If there are less than three subgoals, ask for as many goals as possible.

"You said you want to achieve XXX …"; "One of your goals is XXX …"

/write don't stop until you know how specific and how difficult the goal is!_
In the following discuss the **strategies** of goal no.1 in detail. You need to know:

- any / how much planning
- how much proactiveness
- how much reactivity, so you can make a decision on "reactive", opportunistic", "complete planning", and "critical point planning".

3.3.1-10 **(D)** You have said:.... (repeat the goals and subgoals S has developed). How do you go about to achieve this goal / these goals? or How do you reach this goal? or How do you do it?

**(D)** What have you already done to achieve this goal? (possibly ask this question twice; ask for examples)

**(D)** How have you done this in the past?

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Ask for concreteness, realism, planning and proactiveness **prompts**: What do you mean by ....? Can you give me an example? Can you give me an example for ...? Do you want to do it differently in the future, how?

**general prompt**: repeat what S just said. **Don't say** e.g. "Are you planning this in detail?" **Don't stop until you know, which strategy is used here** (oppor, critp, compl, react)

**Now the same for goal no.2**

3.2**(D)** Can you tell me a bit more about your goals in this area (point to goal no.2); what do you want to achieve in this area? What do you aim for?

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Be sure not to suggest any specificity! If no answer, repeat the question twice - "what-question".

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Show **various answer scales**

Now pick out the three most specific and precise subgoals of goal card no. 2 and ask the following question for each subgoal separately (one after the other). If there are less than three subgoals, ask for as many goals as possible.

"You said you want to achieve XXX ..."; "One of your goals is XXX ..."
Don't stop until you know how specific and how difficult the goal is!

In the following discuss the strategies of goal no.2 in detail. You need to know:

- any / how much planning
- how much proactive
- how much reactive, so you can make a decision on "reactive", opportunistic",
"complete planning" and "critical point planning".

3.4.1-10 (D) You have said:... (repeat the goals and subgoals S has developed). How do you go about to achieve this goal / these goals? or How do you reach the goal? or How do you do it?

(D) What have you already done to achieve this goal? (possibly ask this question twice; ask for examples)

(D) How have you done this in the past?

Ask for concreteness, realism, planning and proactiveness prompts: What do you mean by ....? Can you give me an example? Can you give me an example for ...? Do you want to do it differently in the future, how? general prompt: repeat what S just said. Don't say e.g. "Are you planning this in detail?" Don't stop until you know, which strategy is used here (oppor, critp, compl, react)
Appendix 2

Company identification

<table>
<thead>
<tr>
<th>Goal No.</th>
<th>Goal</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The most important goal</td>
<td>Show initiative</td>
<td>New market strategy</td>
<td>Develop</td>
<td>Perform better than competitors</td>
<td>Expand</td>
<td>Increase profit</td>
</tr>
<tr>
<td></td>
<td>No. of subgoals</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Don’t know</td>
</tr>
<tr>
<td></td>
<td>SG1</td>
<td>Time bound</td>
<td>Measurable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SG2</td>
<td>Time bound</td>
<td>Measurable</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>SG3</td>
<td>Time bound</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>Second most important goal</td>
<td>Show initiative</td>
<td>New market strategy</td>
<td>Develop</td>
<td>Perform better than competitors</td>
<td>Expand</td>
<td>Increase profit</td>
</tr>
<tr>
<td></td>
<td>No. of subgoals</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Don’t know</td>
</tr>
<tr>
<td></td>
<td>SG1</td>
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</tr>
<tr>
<td></td>
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<td>Time bound</td>
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</tr>
</tbody>
</table>

Goal specificity

<table>
<thead>
<tr>
<th>Low degree of planning</th>
<th>High degree of planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Reactive Proactive

| 1 | 2 | 3 | 4 | 5 | Don’t know |