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A COMPARISON OF CORPORATE PLANNING PRACTICE IN AMERICAN AND AUSTRALIAN MANUFACTURING COMPANIES

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Abstract. Group planning practices of leading American and Australian manufacturing firms are compared and contrasted. Despite some differences, a broad pattern of similarity emerges across many elements of the planning systems.

■ Though formalized corporate planning in major U.S. corporations has a history dating from at least the 1960s [Ringbaak 1969], during the last decade new concepts in corporate and strategic planning have had considerable impact on the way in which many companies are managed [Ansoff, Declerck, and Hayes 1976]. Such planning tools as the experience curve and the various approaches to portfolio analysis [for example, Day 1977; Hussey 1978], mostly developed in the U.S., have been incorporated into both the planning process and the content of many company plans. Some study of the adoption of these ideas and the problems associated with their use has appeared [Haspeslagh 1982], but there has as yet been limited study of how these ideas and other elements of corporate planning practice have diffused internationally. Thus, though transnational comparisons of planning among corporations in European countries [Gotcher 1977; Gouy 1978] and elsewhere [Kono 1976; Hulbert and Brandt 1980] have shed useful comparative light on contemporary practice, the countries sampled are limited. Furthermore, there has been little study of planning practice in Australia. [See Burt 1978 and Gale and Kasper 1982 for exceptions.] This paper compares corporate planning practices of large U.S. and Australian manufacturing companies, focusing on the use of various planning tools, types of information gathered, human resources involved, planning activities, and the nature and type of resulting plans.¹

INTRODUCTION

This study began with conflicting prior expectations regarding the extent to which Australian companies had adopted the practice of corporate planning. Australia's geographic isolation from the United States and Western Europe, and the authors' personal knowledge that corporate planning was a relatively recent

BACKGROUND

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arrival in Australia, suggested that considerable differences in planning practice might be found. On the other hand, previous research on the international diffusion of planning practices [Capon, Farley, and Hulbert 1980] had indicated that some national corporations outside of the U.S. were as committed, if not more so, to planning than either U.S. or other multinational companies operating locally. Thus it seemed likely that the intense interest and zeal for knowledge observable among Australian executives might have motivated very rapid progress.

In addition, the similarities and differences between the Australian and U.S. business environments suggested that a comparative study would be interesting. The U.S. and Australia are basically market economies with limited central planning and with industry based on free enterprise capitalism. Although cultural histories differ considerably, demographic characteristics (population growth and per capita income) and economic structures have evolved to a fairly similar point, with comparable composition of GNP by major sector, in that services represent two-thirds of both GNPs. There are differences in the ownership of utilities and in regulation of financial institutions, but these have no impact on this study, which deals with manufacturing. Of course, the major environmental difference involves population, with the U.S. population at 230 million, 15 times as large as the Australian population of 15 million.

Though relatively little data are available comparing managerial style in the 2 countries, Hofstede [1980] in a study of managers in 40 countries found that U.S. and Australian managers cluster in the same group in terms of uncertainty (low), social distance between people with different power (low), and individualism (high). Thus there is an indication of similarity in managerial style that may be associated with similarities in approach to planning.

THE COMPANIES

The companies studied are leading manufacturing organizations in the United States and Australia, and presumably are among the firms most likely to gain from corporate planning. The American sample was drawn from a group of 258 Fortune 500 manufacturing companies with head offices located east of the Mississippi. Of these companies, 158 were invited to participate and 113 (72 percent) agreed. The Australian sample was drawn nationally; all 103 companies with more than \$100 million in sales revenue were invited to participate, and 63 (61 percent) agreed.

The data were collected by using questionnaires to conduct structured personal interviews with corporate planning personnel from those companies which developed formal plans at the corporate level. Respondents were instructed to focus on the functioning of the long-range planning process. Respondents read the questions from a questionnaire and indicated their response, which the interviewer recorded along with any comments. For the data reported here, the questionnaires were identical in both countries, although the U.S. data were collected in 1980 and the Australian data in 1981. Of the companies interviewed, 7 American companies and 10 Australian companies did not develop plans at all. Of the remaining 106 American companies, 58 developed plans at the corporate level, with the remaining 48 companies developing plans at a lower level in the organization. (To be classified as a company which practiced corporate planning, some portion of the planning had to have a corporate focus; a series of lower level plans that were, in effect, stapled together, was not considered to be a corporate plan.) Responses from the 58 U.S. corporate planners are used in this paper. Fifty-three Australian companies that planned at the corporate level are included, with the corporate level of foreign subsidiaries treated as the most senior local level. History and market scale lead to 2 key differences between the samples. First, 52 percent of the Australian companies were subsidiaries of foreign-based (primarily British) firms, compared to none of the U.S. firms. Thus, a large portion of the Australian firms was affected by planning practices of foreign (that is, non-

Australian) multinational firms, which was found by Capon, Hulbert, and Farley [1980] to be a key factor in international diffusion of planning practices. There are, however, indications that British firms are less enthusiastic about planning than U.S. firms [The Economist 1983]. Second, the Australian firms were smaller (U.S. \$611 million in revenue and 6,740 employees on average) than U.S. companies (\$4.9 billion in sales and 48,150 employees), although capital intensity was approximately the same. These differences in scale of both production and market are reflected in 3 areas that are germane to planning.

First, the Australian firms are significantly less diverse, competing on average in 4.62 2-digit SIC industry classifications as opposed to 5.75 for the U.S. firms. Further, only 12 percent of the U.S. firms were classified as single businesses (where corporate planning is presumably less important for internal resource allocation), while a third of the Australian firms were so classified [Rumelt 1974].

Second, the organization structures of firms in the 2 countries also differed. Thus, nearly one-third of the Australian companies were organized functionally, while only a seventh of the U.S. firms were organized in this manner. Divisional organizations (80 percent of U.S. firms, 62 percent of Australian firms) presumably need formal planning more.

Third, the Australian firms were less internationally oriented; an average of 13 percent of their sales were abroad in contrast to 25 percent for the U.S. firms. American firms averaged nearly 20 significant manufacturing facilities abroad, the Australian firms 2.4.

The American companies (which reported an average starting date in 1971) had, as expected, significantly greater experience with corporate planning than Australian companies, which reported starting on average in 1973. Companies in both countries had slightly more experience with second-level² than with corporate planning, with the U.S. companies averaging over 10 years and the Australian firms 7.5 years.

Fifteen items designed to probe the texture of the planning process (Table 1) illustrate the basic approach to measurement and analysis used throughout this paper. Of the 15 items, there were significant intercountry differences in only 3. Managers from both countries agree that planning has improved resource allocation in the short and long term and that it is necessary to sequence future activities. They also feel that planning involves relatively little bargaining, has not unduly constrained risk-taking, and, rather than involving serious data distortion, plays a central role in the organization's communication network. The managers are neutral in terms of impact on profits.

When differences occurred, managers generally indicated a more positive view from the Australian firms, which were more likely to agree that the planning process enables the company to avoid unacceptably high levels of risk; that plans play an important role in auditing ongoing activities; and that planning encourages development of new business by combining expertise and resources from lower level units.

U.S. and Australian firms use similar methods in setting corporate strategy, corporate goals, and second-level goals. Corporate strategy and second-level goals are set by negotiation between second-level management and either the CEO or a top management group. Corporate goals, on the other hand, are set by the CEO in the majority of firms, although bottom up aggregation of goals set by second-level management characterized the process in a third of the companies in both countries.

In both countries, the CEO and relevant line managers had the most influence on setting of goals at corporate and second levels, the boards of directors having surprisingly little influence in either case. The corporate planning departments of

THE PLANNING PROCESS

TABLE 1
Comparison of Mean Responses on the Planning Process¹

In this company, the planning process:	Disagree					Agree
is a device to assure that conflicting expectations are resolved	1	2	3	↑ Both	4	5
plays a central role in the organization's communication network	1	2	3	↑ Both	4	5
is a means of organizational conflict resolution	1	2	3	↑ Both	4	5
involves a great deal of bargaining	1	2	↑ Both	3	4	5
is a means for systematically dealing with uncertainty	1	2	3	↑ Both	4	5
is a means of ensuring that specialized knowledge is stored and available to the whole organization	1	2	3	↑ Both	4	5
enables the company to avoid unacceptably high levels of risk	1	2	3↑ US	4↑ Aus	5	
is often characterized by distortion of data	1	2	↑ Both	3	4	5
has constrained the strategic risk-taking behavior of lower level managers	1	2	↑ Both	3	4	5
is a key device for allocating corporate resources throughout the company	1	2	3	4	↑ Both	5
has improved the company's long range resource allocation decisions	1	2	3	4	↑ Both	5
has had a measurable positive effect on sales and profits	1	2	3	↑ Both	4	5
is necessary to sequence future activities	1	2	3	4	↑ Both	5
plays an important role in auditing ongoing activities	1	2	3↑ US	4↑ Aus	5	
encourages development of new businesses by combining expertise and resources from lower level units	1	2↑ US	3↑ Aus	4	5	

¹No significant difference appeared between mean U.S. and Australian responses except on the 3 items indicated. A 5 percent significance level is used throughout this paper. In this and subsequent tables the overall mean is presented unless a significant difference is found, in which case the individual country means are noted. In the case of scaled questions, the general pattern of variability requires an interindustry mean difference of more than half a point for significance.

U.S. companies had slightly greater influence on goals at both levels, while the influence of second-level management on corporate goals suggests better integration of the Australian process.

Analysis of the influence on several elements of the planning process by 4 different organizational centers (outside members of the board of directors, the CEO, the corporate planning department and top second-level line managers) is shown in Table 2. Once again, there is a pattern of similarity with the boards of directors having relatively little influence except for approval for the final corporate plan. The corporate planning department, not surprisingly, has heavy influence both on the format of the plan (more so in Australia than the U.S.), and on assumptions underlying the corporate plan, while the CEO had significant impact on most aspects of the process though somewhat greater in Australia than in the U.S. As might be expected from the narrower product scope and greater preponderance of functional organizations in Australia, second-level Australian managers tended to influence several aspects of the planning process more than their U.S. counterparts. To summarize, overall there is greater line involvement in Australian companies, particularly by the CEO and top second-level line managers.

TABLE 2
Influence in the Corporate Planning Process¹

	Outside board of directors	Chief executive officer	Corporate planning department	Top second-level line managers
Format of corporate plan	1.31	Aus 3.50 US 2.84	Aus 3.76 US 4.24	1.95
Assumptions in corporate plan	Aus 2.04 US 1.50	Aus 4.22 US 3.45	4.17	Aus 3.65 US 2.86
Objectives in final corporate plan	2.61	4.63	3.74	Aus 3.66 US 3.14
Strategies in final corporate plan	2.35	4.41	3.71	3.64
Approval of final corporate plan	3.22	4.82	3.14	Aus 2.98 US 2.31
Development of missions for second-level units	1.49	3.87	2.99	4.54
Overall average	Aus 2.26 US 2.00	Aus 4.31 US 3.93	Aus 3.55 US 3.68	Aus 3.49 US 3.01

¹All items measured on 5-point scale; 1 = not at all influential, and 5 = very influential.

For discussion, the elements of planning have been divided into 5 groups:

Information inputs that gauge the openness of the organization to the environment by identifying the extent to which it is involved in extensive information gathering activity;

Planning tools that deal with the use of concepts and models that might be used to process the information inputs as part of the planning process; and

Human inputs, the "human factor" of the persons and/or organizations involved in processing the information inputs. These 3 key inputs result in:

Planning activities, which in turn lead to:

Outputs from the planning process (the written plans, and so on).

These elements have been shown to be linked for the American firms in a type of causal path analysis of combined elements in each category [Capon, Farley, and Hulbert 1983].

**ELEMENTS OF
PLANNING**

Information Inputs

Although Australian companies report greater effort devoted to forecasting industry-level demand, about the same amount of effort is expended by firms in both countries in forecasting 10 key environmental areas (Table 3). The extent of communication of this information from corporate to the second level of management early in the planning process was also similar, and only for financial market information was there a significantly greater transmission by Australian companies.

The confidence the companies had in their appraisal of situations differed, however, with the Australian companies more generally confident in their appraisals than were the American companies, and significantly more so in 4 areas: technological, purchases, human resources, and financial markets. Because lack of confidence in information about the environment is one of the major deterrents often cited to longer-term planning, Australian planners may operate in a more favorable information environment than their U.S. counterparts.

This difference in confidence is also reflected in judgments about the quality of planning information received from internal sources (sales and marketing, finance, accounting, and manufacturing), with Australian companies perceiving that higher quality information was obtained than the American companies, especially from manufacturing.

TABLE 3
Information Inputs

Type of forecast	Resources expended ¹	Extent of transmission ²	Confidence in appraisal ³
Domestic economy	3.58	3.78	3.56
Foreign economics	2.04	2.94	2.92
Technological	2.82	2.47	Aus 3.92 US 3.42
Government	3.11	3.00	3.37
Sociocultural	2.69	2.58	3.08
Purchases	2.93	2.73	Aus 3.96 US 3.40
Human resources	2.86	2.57	Aus 3.57 US 2.83
Financial markets	3.22	Aus 3.20 US 2.31	Aus 4.02 US 3.49
Industry-level demand	Aus 4.23 US 3.50	3.28	3.85
Competitive	3.56	3.01	3.58

¹All items measured on a 5-point scale; 1 = no effort, 5 = great deal of effort.

²All items measured on a 5-point scale; 1 = never transmitted, 5 = extensive transmission.

³All items measured on a 5-point scale; 1 = not at all confident, 5 = very confident.

Planning Tools

U.S. companies were significantly more familiar (Table 4) with the various conceptual frameworks that have been developed to assist in strategy development than were Australian firms; the U.S. companies were also significantly more likely to be influenced by such frameworks. Of these frameworks, the product portfolio approach of the Boston Consulting Group [Day 1977] had the most overall influence on the content of corporate strategy over the previous 5 years. American firms were more likely to have used the approach, along with other matrices such as those developed by Shell Chemical [Hussey 1978], General Electric and McKinsey, the A. D. Little Strategy Center Concept and also the findings of PIMS [Schoeffler, Buzzell, and Heany 1974]. These differences are no doubt due in large part to the extent of activity by the relevant organizations in the

TABLE 4
Use of Planning Tools and Concepts

Familiarity of Planners with Portfolio Approaches ¹	Aus 2.46 US 3.16
Portfolio Approaches Used ² :	Previous Future
BCG	Aus 2.44 2.88 US 3.09
GE/McKinsey	Aus 2.02 2.57 US 2.40
Arthur D. Little	Aus 1.63 2.07 US 2.14
Booz-Allen	1.68 1.89
Ansoff	1.83 2.11
PIMS	Aus 1.60 Aus 1.78 US 2.31 US 2.48
Uses of Portfolio Approaches ³ :	
Guide to setting resource allocation	3.37
Cash flow management	2.95
Analyze competitors	2.81
Analyze customers	2.15
Analyze suppliers	1.63
Use of Computer and Econometric Models ⁴	3.02
Summary	Number of individual items 19 Number significant 5

¹All items measured on 5-point scales; 1 = not at all familiar with, 5 = very familiar with and using.

²All items measured on 5-point scales; 1 = no influence, 5 = very great influence.

³All items measured on 5-point scales; 1 = never used, 5 = extensively used.

⁴Measured on 5-point scales; 1 = no use made whatsoever, 5 = extensive use made.

U.S. and Australia, especially of the Strategic Planning Institute that manages PIMS and does not operate in Australia. Concepts advocated by Booz, Allen and Hamilton, and product/market fit analysis associated with Igor Ansoff [1965], were much less used, with no differences between countries. Australian companies did, however, anticipate greater influence of these approaches in the future than they reported historically, whereas the American companies anticipated continued influence at about the same level. Portfolio approaches were most used as a guide to setting resource allocation priorities, as a cash flow management tool and as a device for analyzing competitors.

Few differences were found as regards the use of models for forecasting, planning, and budgeting (heavily used overall) or decision support models (little used overall). However, significantly more American (31 percent) than Australian (6 percent) firms reported use of econometric models for forecasting.

Overall, American firms appear to have adopted a variety of planning concepts and models to a greater extent than their Australian counterparts.

Human aspects have been acknowledged to be critical in the creation and especially in the successful implementation of corporate plans. Despite large size disparity, American companies had only slightly more than double the number of professionals in corporate planning departments than the Australians (7.4 versus 3.5). The backgrounds of these professionals were similar for the 2 countries, with planning specialists, economists, and finance specialists as the 3 leading skills.

Human Inputs

For 2 of the less frequently identified skill areas, manufacturing specialists and operations research specialists, however, Australian companies reported greater strength. As might also be expected from size differences, U.S. companies devoted greater resources to corporate planning; the average budget of the U.S. corporate planning department was over double that for Australian firms (\$604,000 versus \$288,000). Australian firms had a relatively much larger commitment than U.S. companies, however, since they spent almost 10 times the amount that U.S. firms did per sales dollar.

There were 3 elements of human inputs in which important differences existed between Australian and American firms. First was the extent to which line personnel were rotated through the corporate planning department. Although such rotation (a recognized way of both familiarizing line personnel with planning and securing cooperation) was not extensive, significantly more rotation was reported by the U.S. than the Australian companies.

The second difference involved the reporting relationships of the chief corporate planner. Though the most common immediate supervisor in both countries was the chairman or president (a relationship often believed to encourage success of planning because of highest-level support), only 37 percent of the U.S. corporate planners reported at this level, compared to 63 percent for Australian companies. In 32 percent of the larger American companies, corporate planners reported to a corporate executive vice-president. Furthermore, in 23 percent of Australian companies, the corporate planner reported to the treasurer/controller, a relationship which is likely to lead to excessive focus on financial projections at the expense of strategic thinking, compared to only 5 percent for American firms.

The third difference is a result which parallels the reporting relationships: although CEO involvement in a number of planning areas—development of corporate goals, development of alternative corporate strategies, evaluation and appraisal of the corporate plan, and having planning accepted as a philosophy in the company—was high in both countries, when considered together overall involvement was greater in Australian than in American companies. This generally high CEO involvement in planning in both countries was paralleled by high levels of support from each of the 3 major functional areas; sales and marketing, financial management, and manufacturing. Furthermore, there is broad agreement among line managers in both countries regarding the purpose of planning (Table 5).

In comparing the human resources involved when planning activities penetrate into the organization, similarities and differences were found between countries. U.S. companies were more likely to develop second-level (one level below corporate) plans, but three-fifths of the companies planning at the second level in each country had planning specialists at that level. U.S. companies had twice as many of these specialists as Australian companies, a result which parallels the greater absolute but less relative commitment found at the corporate level. There

TABLE 5
Senior Line Management's Belief of the Purpose of Planning¹

Assessment of external opportunities and threats	3.68
Development of corporate strategies and long run planning policies	4.23
Develop set of action programs and operational plans	3.91
Provide frame of reference for operational budget	3.90
Satisfy corporate and get them off my back	2.57
Mind-stretching creative exercise	Aus 2.75 US 3.21

¹All items measured on 5-point scales; 1 = very few senior executives feel this way, 5 = most senior executives feel this way.

was less commonality in the functional background of second-level planners than at corporate. Marketing was the most frequently mentioned background in both countries; the second was operations/production for Australian companies (fourth for American) and finance for American companies. As regards rotation of line people through second-level planning units, American companies reported greater rotation than their Australian counterparts just as they had at corporate. The reporting relations differed, of course, and in both countries about 70 percent of second-level planners reported to a senior-level and 20 percent to a second-level operating officer.

Long range planning, a complex process involving many activities and taking place at more than one level in the organization, requires the processing of significant quantities of information using a variety of planning tools, and involves both full-time professionals and line managers. Results presented in Table 6 show no significant intercountry differences in relative effort devoted to 20 specific activities in which the corporate planning department might be involved. In both countries a relatively high degree of effort is devoted to helping corporate management formulate goals, objectives, and strategy, as well as to managing the planning process itself and fulfilling an educational function for corporate management. Relatively little effort is devoted to internal matters related to

Planning Activities

TABLE 6
Effort Devoted to Elements of the Planning Activity¹

Relatively low effort (mean < 3.0)	Medium effort (mean 3.0 to 4.0)	Relatively high effort (mean > 4.0)
Reorganizing the company around better-defined business units	Developing and writing the corporate plan	Helping corporate management formulate strategy
Helping management with identification of financing needs	Helping second-level management formulate strategy	Helping corporate management formulate goals and objectives
Helping second-level management formulate goals and objectives	Improving the quality of strategic thinking by second-level management	Integrating second-level plans with the corporate plan
Developing better accounting and financial data for strategic planning	Reviewing and evaluating second-level plans	Defining the guidelines, formats, and timetables for planning activity
	Monitoring and controlling progress versus plans	Improving the quality of strategic thinking of corporate management
	Developing macro-forecasts of the economy, financial markets, political environment, and so on	
	Helping management with acquisition plans	
	Helping management with divestiture plans	
	Preparing specific studies	
	Identifying areas of new business opportunity	
	Assess the overall effectiveness of the planning process	

¹All items measured on 5-point scales; 1 = no effort, 5 = high degree of effort. No significant differences occurred between countries on any individual item.

organization, financing, or information system development, while low to moderate effort is devoted to helping second-level management. Moderate effort is also devoted to areas which might change the nature of the organization: acquisition, divestiture, and new areas of business opportunity.

In terms of the type of planning conducted (Table 7), most effort was given to long range (5-10 years) planning and acquisition planning. Of the 7 planning types, the only significant difference involved Australian companies reporting more effort in operational planning, a result which is consistent with their employment of manufacturing and operations research personnel in planning positions. This result is also consistent with the findings on coordination of different types of functional planning with corporate planning (Table 7), where Australian firms reported significantly greater coordination for manufacturing than U.S. companies.

Allocation of resources to areas expected to bring long-term benefits to the corporation is a critical aspect of long-range planning. Companies in both countries make distinctions between budget allocations for short-term versus long-term benefits—most strongly for R&D and market development—although for R&D, U.S. firms were more likely to make this distinction. Most of the specific criteria for evaluation of requests for resources (Table 8) were at least moderately important in both countries. Two finance-based criteria (forecast return on investment and discounted cash flow analysis) and 2 market-based criteria (growth of market and forecast sales growth) were most important. Significant intercountry differences were found for just 4 of the 12 criteria. Although Australian companies placed more importance on short-term cash flow benefits, American companies placed more importance on both the track record of the manager and the unit requesting funds and on the impact on earnings per share. Australian companies tended to use the same criteria for resource allocation irrespective of market conditions, whereas American firms were more likely to modify theirs. For example, if market growth was about equal to GNP, 88 percent of the Australian companies indicated that there would be no difference in the criteria employed, whereas 40 percent of the American companies indicated that there would be more emphasis on short-term considerations. Furthermore, if the market growth rate was significantly greater than GNP, a much greater proportion of Australian than American companies (76 percent versus 47 percent) indicated no differences in the criteria employed, while American companies indicated more

TABLE 7
Extent of Effort Spent on Various Types of Planning¹

Short-term emergency	2.54
One- to three-year operational	Aus 3.66 US 3.12
Formalized contingency	2.41
Long-range (5 to 10 year)	3.78
Acquisition	3.68
Divestiture	3.22
Long-term mission	2.95
Extent of Coordination of Corporate Planning with Functional Areas ²	
Marketing	3.38
Financial	4.34
Manufacturing	Aus 4.00 US 3.26
Human resources	3.17

¹All items measured on 5-point scale; 1 = no effort, 5 = extreme effort.

²All items measured on 5-point scale; 1 = disagree, 5 = agree.

emphasis on financial measures and on market share. These contrasts are consistent with the greater U.S. commitments to portfolio analysis reported earlier.

The output from the planning activities is a set of plans: corporate and second-level plans of various lengths, and integrated, functional, and contingency plans. This section focuses on long-range corporate plans and on integrated second-level business plans.

Planning Outputs

The average time horizon for the key guiding long-range corporate plan was similar (about 5.5 years in both countries) with most companies using a 5-year planning horizon. Nevertheless, there were differences in how the short- and long-range plans were prepared. For almost two-thirds of the Australian companies, the longer-range plans were prepared first and the shorter-range plans fit into them, while only a third of the American companies proceeded in this integrated manner. Independent preparation of plans at different levels accounted for twice as many American companies as Australian firms (32 versus 16 percent). Furthermore, Australian companies prepared more detailed corporate plans.

There were also significant differences between countries regarding access to the corporate plan, with deeper access in Australian companies. Thus, 60 and 23 percent of Australian companies allowed access at the second and third management levels respectively, compared to 22 and 9 percent for American companies. Conversely, only 19 percent of Australian companies restricted access to senior management only, compared to 66 percent of American companies. These results are consistent with the greater line involvement in Australian companies noted earlier.

As regards second-level business plans, significantly more of the American companies (93 percent) than Australian companies (58 percent) prepared such plans, perhaps indicating that the greater U.S. experience with planning has pushed its development further into the firm. The fact that fewer Australian firms are divisionalized and many are subsidiaries of multinational companies may also affect the degree of second-level planning.

In both countries, five-sixths of corporate and second-level plans were updated annually, and a tenth, more frequently. Contingency plans existed for only about a third of the companies in both countries, in most cases at both the corporate and second level.

TABLE 8
Criteria for Evaluating Proposals Expected to Yield Long-Run Benefits

Finance-based		Market-based		Miscellaneous	
Forecast net operating profit	3.97	Forecast market share position	3.70	Impact on company resource needs	3.94
Short-term cash flow benefits	Aus 3.61 US 2.88	Forecast market share growth	3.86	Track record of unit requesting funds	Aus 3.39 US 4.16
Discounted cash flow analysis	4.06	Growth of market for which expenditure is requested	4.06	Track record of manager requesting funds	Aus 3.33 US 3.98
Forecast return on investment	4.33	Forecast sales growth	4.03	Impact on earnings per share	Aus 2.83 US 3.57

¹All items measured on 5-point scales; 1 = totally unimportant, 5 = very important.

DISCUSSION An overall picture of similarity of planning practice of leading Australian and U.S. manufacturing firms emerges from this study, despite intercountry differences in company size, degree of industry diversity, international orientation, and organization structure, as well as business environment differences that might have led to a pattern of major planning differences. However, there were also key differences. The American companies studied had generally been planning longer than the Australian companies. Furthermore, although the Americans invested considerable effort in gathering information about their environments, they were less confident about this information and also about the information obtained internally from various functional groups. American companies made greater use of a variety of strategic planning tools (portfolio analyses and PIMS analysis) than did Australian companies, perhaps because many of these concepts were U.S.-originated. Market growth considerations had greater impact on American thinking than on Australian, and U.S. companies reported a more market-driven approach to allocation decisions.

Although U.S. corporate planning departments were larger than Australian in both budgets and numbers of people, they were smaller relative to company size. This pattern was also found for second-level planning personnel, but the U.S. companies tended to rotate line personnel through corporate and lower-level planning positions to a greater extent than the Australians.

Consistent with this perspective, Australian CEOs and boards of directors were more involved in corporate planning and were more influential in various elements of the planning process. Furthermore, second-level line managers have less influence on the corporate planning process in U.S. firms, and the U.S. process seems more decentralized. Perhaps top U.S. second-level executives are more involved in planning for their own businesses, which are much larger than their Australian counterparts, whereas the more intimate environment in the smaller Australian organizations fosters more inputs from second-level executives into corporate planning. By contrast, the U.S. corporate planning department plays a stronger role in determining the format of the corporate plan.

Five to 7 years is the most popular and key long-range planning horizon. U.S. companies are less likely to integrate short-term and long-term plans, and they report less emphasis on action-oriented planning than their Australian counterparts. These factors may be partly responsible for the implementation problems often encountered in the U.S. It is worth noting, however, that when budgeting activities are closely linked with long-range planning, the process may deteriorate into a number-crunching exercise with little strategic content, which may provide an explanation for why U.S. companies tend to separate the development of long-range plans from shorter-range planning.

Though Australian companies have come more recently to corporate planning, they appear to have made a greater commitment at the corporate level. More of total planning responsibility is assumed at the corporate level rather than being delegated to the second level, in part because of the smaller size of the Australian companies. There is a high degree of participation in both countries, although CEOs and boards of directors in Australia appear to be relatively more influential than in the U.S., and planning departments tend to have heavier representation of full-time planners rather than line managers on temporary assignment. It appears that in the larger U.S. companies substantial planning effort (particularly of "second-level" managers) is diverted to planning for divisions or strategic business units. In Australian companies, comparable planning issues are still resolvable by increased involvement in the corporate planning process. With further growth, the Australian companies may see more evolution toward enhanced subcorporate level planning, with a possible consequence of reduced involvement from second-level managers in corporate planning, as in the U.S.

In some respects, there seems to be more professionalism in the planning of many Australian companies than there is among their American counterparts, including

more specialists, relatively greater resource allocation to corporate planning, and tighter coordination of long-range and short-range plans. Furthermore, the plan itself performs a more extensive coordinating role in Australian companies, whereas restrictive distribution of the plan in U.S. companies means that better coordination, one of the major benefits of good planning, is harder to achieve [Hulbert and Brandt 1980].

Structural, strategic, and environmental differences between U.S. and Australian companies were expected to affect their planning systems. In general, however, a broad pattern of similarity emerged. Where significant differences between the 2 countries were observed, most of these seemed linked to the smaller size and lower product/market complexity of the Australian companies. This high degree of similarity suggests that there is broad intercountry consensus on how to go about corporate planning, given that it is initiated, and that differences occur chiefly as the result of a wide range of structural, strategic, and environmental considerations.

The expected outward diffusion of new planning tools from the United States has occurred quickly, especially relative to the time of penetration of these ideas in U.S. companies. More interesting, perhaps, were some of the unexpected results. The relatively high level of commitment to corporate planning in Australia, the widespread involvement in and dissemination of the corporate plan, the use of professional planners, and the more highly integrated and coordinated planning systems all suggest that Australian practice is theoretically sound and that rapid learning has occurred from experience elsewhere in the world. Although planning practices in the best U.S. companies can serve as models for others, some of the comparative findings are sufficient to raise serious concern. For example, the apparent splintering of U.S. planning systems into uncoordinated "stand alone" plans and the restrictive communications policies of some U.S. firms would be judged by many to be the antithesis of good planning practice.

CONCLUSION

1. For full treatment of the planning process in American and Australian companies see, respectively, Capon, Farley, and Hulbert [1984] and Christodoulou [1984].
2. The term "second level" is used to refer to the organizational level immediately below corporate, typically group, division, or strategic business unit.

FOOTNOTES

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