Strategic Planning and Firm Performance: A Comparison across Countries and Sectors

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Abstract: The level of uncertainty and pace of change in business environments is posing challenges for firms. The developed economies have transformed from the industrial era to the knowledge and service era, while emerging economies thrive with industrial growth. This poses the question of what the key drivers of corporate success are and how far they are different from the old earnings logic. We will focus on one special value-creating resource or capability, namely strategic planning. We empirically examine the performance consequences of strategic planning to determine in what contexts it pays off particularly well. We use data from a large-scale survey of about 2,500 organizations from developed and emerging countries. The survey responses represent a variety of industries from manufacturing to services. The analysis is based on general linear models, and the findings show significant performance differences across countries, industries, and firm size – with strategic planning explaining performance much better than any contextual characteristics.

Keywords: strategic planning, firm performance, cross-country study, industry sectors, resource-based view, competitive advantage

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1 Introduction

The level of uncertainty and the pace of change in business environments is posing increasing challenges for firms. The developed economies have transformed from the industrial era to the knowledge and service era, while emerging economies thrive with industrial growth. Some traditional industry sectors are declining in developing countries, whereas others still have high growth rates. The pressures of globalization can be recognized especially in traditional manufacturing, in which competition increases and opportunities for locally or regionally earned monopoly rents become scarcer. The superior profits have to be based on Schumpeterian innovations, i.e. new combinations are necessary instead of Porterian monopoly rents. Another trend is the rapid rise of the service sector, even if the worldwide liberalization has not yet gone that far as in the manufacturing sector. There are still opportunities to profit from monopoly situations and especially from valuable, rare, inimitable, and non-substitutable (VRIN) resources or capabilities (Barney, 1991).

These worldwide changes raise the question of what key drivers for corporate success are these days, and how far they differ from the old earnings logic. The resource-based view offers a point of departure for such an analysis by telling us that the firms with VRIN resources are able to obtain and sustain competitive advantage. We will focus on one special value-creating resource or capability, namely strategic planning. Most organizations engage in some sort of strategic planning to secure their competitive advantage and performance. However, our hypothesis is that strategic planning as a resource/capability is subject to diminishing returns that depend both on the stage of development of countries (emerging vs. developed) and the nature of industry sectors (manufacturing vs. services). Even if there are many studies that analyze relationships between firm performance and strategic planning (section 2), there are very few attempts to utilize the theoretical frameworks of the resource-based view in this context and to cover both the emerging vs. developed and manufacturing vs. service industries in the same study. Further, we think that this topic is highly important from the perspective of production economics in view of its new and theoretically grounded approach to drastic change processes the world economy is currently facing.

Our article will examine the performance consequences of strategic planning – being measured as a multi-faceted 7-item scale – in a wide range of contexts, in order to find out the

kinds of contexts where it pays off particularly well. We will use data of a large-scale survey of more than 2,500 organizations from four developed countries (the USA, the Netherlands, Germany, and Spain) and three emerging countries (China, India, and Malaysia) (see Shaper et al. 2009). The survey responses represent a variety of industry sectors (e.g. manufacturing, construction, transportation, trade, private and public services). Our empirical analysis is based on general linear models, and the findings show significant performance differences across countries, industries and firm size – strategic planning explaining performance much better than any of the contextual characteristics. Furthermore, there are significant interactions between strategic planning and contextual characteristics, implying that effects of strategic planning differ across countries and industries, but not according to firm size.

2 Resource-based View on Globalization: Theoretical Underpinnings and Hypotheses

2.1 Literature Review on Strategic Planning and Performance

Before dealing with our theoretical framework and the hypotheses derived from it, we will start with a short review of the findings concerning the role of strategic planning as a driver of firm performance. There are various definitions given to explain the concept 'strategic planning'. For example, Steiner (1979) suggests that strategic planning is not only a simple combination of functional plans or conclusions of current budgets, but more a systems approach to manage an enterprise through the uncertainty of its changing environment in order to achieve certain targets. Furthermore, Tapinos et al. (2005) state that strategic planning is the set of processes undertaken to develop a range of strategies that will contribute to achieving the organizational direction. Prior findings point out that a higher certainty and knowledge of planning assumptions promote achievements (Thiele and Fellnhofer, 2015). In addition, strategic planning affects commitment to strategy implementation in a complementary way, which thus increases firm performance (Kohtamäki et al., 2012). According to Boyd's meta-study (1991) formal strategic planning is an explicit and ongoing organizational process that comprises several elements, such as the establishment of goals and the generation and evaluation of strategies. Some scholars (e.g. Greenley, 1986; Koufopolous and Morgan, 1994; Johnson and Scholes, 2002) see this process as analytical, systematic and deliberate. Rue and Ibrahim (1998) argue that the following criteria are most frequently used: long-term orientation, written form, the formulation of goals and strategies, evaluation and control.

Matthews and Scott (1995) state that strategic planning is often seen as a useful management tool for larger firms, but its appropriateness and use by small and medium-sized firms has also been recognized (Kraus et al. 2006; 2008) In general, strategic planning appears to be beneficial not only for large enterprises, but also in particular valuable for new ventures and small and medium-sized firms (Kraus, 2008). In some studies (e.g. Lindsay and Rue, 1980; Hofer, 1975; Lenz, 1981) the firm size has been argued to be a significant contingency variable that should be taken into consideration when firms plan effective strategic processes. Furthermore, Miller and Cardinal (1994) have argued that as larger firms are more complex and require higher control and integration, strategic planning may have a relatively higher affect on their performance (see also Mintzberg, 1979). Based on these studies we will argue that strategic planning has a stronger impact on large firms' performance.

Empirical research in strategic planning systems has mostly focused on two areas: (i) the impact of strategic planning on firm performance and (ii) the role of strategic planning in

strategic decision-making (Grant, 2003). The research of Armstrong (1982) was one of the first reviews of studies about the relationship between formal strategic planning and financial success and concluded that formal planning positively affects success. The prior literature of strategic management generally states that there is a positive relationship between strategic planning and financial performance (Schwenk and Schrader, 1993; Greenley 1994; Glaister and Falshaw, 1999; Shea-Van Fossen et al., 2006). Empirical studies have also found that survival rates of small firms, which adapt strategic planning processes, were higher than those of non-planning firms (Sexton and Van Auken, 1982; Capon and Farley, 1994; Birley and Niktari, 1995). Furthermore, some scholars (Noble, 1999; Perry 2001) state that ineffective strategic planning is regarded to be one of the main reasons for firm failure. Kraus et al. (2006) found that planning formalization has a positive effect on performance in small Austrian firms, whereas Falshaw et al. (2006) did not find any relationship between formal planning process and performance in UK firms. Most of the studies about strategic planning in small businesses were carried out in the US and few in other developed countries such as the UK (e.g. Berry, 1998; Griggs 2002; French et al., 2004; Falshaw et al., 2006; Kraus et al., 2006). However, Glaister et al. (2008) investigated the moderator impact of environmental turbulence in Turkish firms, which operate in a more turbulent environment than firms for example in the UK or the USA. They found that the relationship between formal strategic planning and firm performance is stronger for firms in the high environmental turbulence group. This supports the view that strategic planning plays a more important role in emerging than in developed countries.

Dibrell et al. (2013) offer a very interesting result for the present paper concerning the developed countries. They state that direct linkages between strategic planning and financial performance are distant, which might partially explain the inconsistent findings of prior studies. Their study suggests that firms rely on innovativeness as a key value-enhancing activity that transforms the benefits of formal strategic planning into increased financial performance. They were also able to provide evidence, which shows that innovativeness acts as a mediator between the formal strategic planning process and firm financial performance. This supports our hypothesis that the role of strategic planning is more important for emerging countries than for developed countries, in which the role of innovativeness is more crucial. Aldehayyat's and Twaissi's (2011) study supports this view as well. They investigated small firms in Middle East countries and found that strategic planning dimensions and overall strategic planning significantly affects corporate performance. They also noted that firms were ready to put effort on strategic planning process because they believed it to be beneficial to firm performance. Along the same lines, Glaister et al. (2009) examined the strategic planning process from a comparative perspective in a sample of firms from an emerging economy (Turkey) and a developed economy (UK). Their results show that there were a number of significant differences between the strategic planning practices of Turkish and UK firms. Their results implied that Turkish firms presented a greater adoption of and commitment to strategic planning than firms in UK. They assumed that the institutional imperfections and market inefficiencies inherent in most emerging markets might explain the firms' positive attitude towards strategic planning practices. Also Al-Shammari and Hussein (2007) had similar results concerning Jordanian manufacturing firms. Their results indicated that firms which implement strategic planning perform better than those which do not.

2.2 Hypotheses Based on Resource-based View on Globalization

When analyzing the impact of strategic planning on firm performance on the worldwide level, it is advisable to start from the resource-based framework (Wernerfelt, 1984; Barney, 1986;

1991; Mahoney, 2001; Lee and Wilhelm, 2010; Mahoney and Qian, 2013). We regard strategic planning as a resource or, preferably, as a capability (Teece and Pisano, 1994) that consists of different dimensions, such as abilities to utilize a detailed strategic plan based on clear strategic objectives and alternative strategic options. (All these different characteristics of strategic planning will be empirically measured in our empirical survey-based analysis). According to the resource-based view the strategic goal of the firm is value creation and value capture from its resources and capabilities. According to Barney (1991) the sustainable competitive advantage can be obtained by focusing on resources and capabilities that are valuable, rare, inimitable, and non-substitutable. In addition to the superior resources with VRIN attributes there have to be ex ante and ex post limits to competition and obstacles to resource mobility (Teece, 1986; Peteraf, 1993; Das and Sengupta, 2009; Mahoney and Qian, 2013).

Globalization, speed of change in business environments, and turbulence challenge the firms both in developed and emerging economies. The developed economies have transformed even more from the industrial era to the knowledge and service era, while emerging economies thrive with industrial growth in traditional industry sectors and raw materials production. The pressures of globalization can be recognized especially in traditional manufacturing, in which competition increases and opportunities for locally or regionally earned monopoly rents become scarcer. The superior profits have to be based on Schumpeterian innovations instead of economies of scale-based Porterian monopoly rents. Another trend is the rapid rise of the service sector, even if the worldwide liberalization has not yet gone that far as in the manufacturing sector. We claim that there are still opportunities to profit from local monopoly situations and especially from the VRIN resources/capabilities.

What is the role of strategic planning in this context? Most organizations engage in some sort of strategic planning to secure their competitive advantage and performance. However, our hypothesis is that strategic planning as a resource/capability is subject to *diminishing returns* that depend both on the *stage of development of countries* (emerging vs. developed) and *the nature of industry sectors* (manufacturing vs. services). The keener the competition is because of liberalization of trade and regulation and rapid technology and knowledge transfers, the smaller is the role played by such capabilities as strategic planning (Kyläheiko et al., 2012). Not because they are unimportant but because they are not any more VRIN resources/capabilities. In brief, they are utilized by all the rivals. Since the globalization-induced competition is at the fiercest in manufacturing industries and in developed countries, we can conclude that the role of strategic planning as a value creating and capturing capability is at the highest either in the emerging economies where they still are rare and valuable (H2 below) or in private and public services where the global competition is not that fierce as it is in the manufacturing industries (H4). Our first hypothesis is based on the idea that strategic planning is even now a VRIN capability that is able to contribute to superior profits of firms. Our third hypothesis is based on the idea that amongst the smaller companies the strategic planning still has VRIN attributes, whereas in larger firms there are no great differences to be recognized. The empirical results of earlier studies (Section 2.1) do not support any clear hypothesis as for the firm size.

H1: There is a positive relationship between strategic planning and performance.
H2: The positive relationship between strategic planning and performance is stronger for firms operating in emerging economies.
H3: The positive relationship between strategic planning and performance is stronger for small firms than for larger ones.
H4: The positive relationship between strategic planning and performance is stronger for service industries than for manufacturing.

3 Methods

3.1 Sampling and Data Collection

The data used was collected from seven different countries – the USA, the Netherlands, China, Malaysia, India, Germany, and Spain – together with local researchers and a multinational market research company. In every nation a sample of 1,500 firms was randomly selected from the lists of active firms in various industries. To guarantee reliable and valid data on the strategy features and performance, earlier studies were followed (see, e.g., Carson et al., 2006), using a "key informant approach", i.e. the CEOs or top management team members were used as the "single most knowledgeable and valid information sources" (Lechner et al., 2006: 525). Key persons from every firm were interviewed by telephone. To motivate them to participate in our study, they were ensured of its academic purpose and the confidentiality of their responses. A total of 2,997 senior managers agreed to participate, and we obtained 2,506 complete responses for our analyses. Of these responses, 323 were from the Netherlands, 287 from Germany, 288 from Spain, 384 from the US, 411 from China, 421 from India, and 392 from Malaysia. Thus, the overall response rate was 23.87 percent (2506/10500), varying from 19.13% in Germany to 28.07% in India.

The questionnaire used in the interviews was first developed in English and then translated into the respective languages by independent translators. To ensure conceptual equivalence, the questionnaires were back-translated, compared, and adjusted where necessary (Brislin, 1970; 1980).

3.2 Measures used

The majority of existing studies only concentrated on dichotomous observations of "planners vs. non-planners" or concentrated similarly on the question of "formalization: yes or no", as Shea-Van Fossen et al. (2006) found in their meta-analysis which analyzes 35 years of strategic planning and firm performance. Based on these limitations, e.g. in their study regarding 290 small firms from Austria, Kraus et al. (2006) broadened this horizon and developed a four-item-scale of strategic planning which extended these dichotomous approaches. Following this tradition, our measurement items for strategic planning exceed those from existing studies even more, using a seven-item scale which captures the existence, application, and content of a detailed strategic plan and the alignment of such a plan with the strategic objectives of the organization.

The descriptive statistics for the items are shown in Table 1. The means and standard deviations of every item are rather close to each other, with means around 4.1 and standard deviations around .80. The dimensionality of the seven-item scale was checked by running a principal component analysis of the items. The Kaiser measure for sampling adequacy (KMO) was .927, indicating a very good suitability of the correlation matrix for principal component analysis. A single component with eigenvalue greater than one was extracted, accounting for 61.07 percent of the total variance in the items (eigenvalue 4.275). The component loadings and communalities are all high, indicating that all items reflect well the underlying construct of strategic planning. To ensure the internal consistency of the scale, we computed the reliability statistics based on inter-item correlations. The Cronbach alpha for the seven-item scale was .893, which implies a very good internal consistency. The inter-item correlations varied from .495 to .606, and item-total correlations from .648 to .729. The

deletion of any item from the scale would have decreased the reliability, as the largest deleted item alpha was .883. Thus the seven-item scale for strategic planning was unidimensional and internally consistent and we computed the combined strategic planning scores for each respondent by taking an average of the seven items.

Table 1. Principal component analysis and reliability statistics for strategic planning

Item wording (1=completely disagree, 5=completely agree)	*Mean*	*S.d.*	*Loading*	*Communality*	*Item-total correlation*
Our organization makes use of a detailed strategic plan.	4.14	0.788	0.812	0.659	0.729
We make use of detailed strategic objectives.	4.15	0.765	0.795	0.633	0.708
We define exactly how we are going to achieve strategic objectives.	4.13	0.802	0.787	0.619	0.699
Our strategy is described in a detailed plan.	4.12	0.806	0.785	0.617	0.696
We analyze potential strategic options in relation to our strategic objectives.	4.15	0.782	0.778	0.606	0.689
Our strategic plan includes how we can deal with potential problems.	4.12	0.800	0.767	0.589	0.675
We analyze various alternatives before we choose a strategy.	4.15	0.792	0.744	0.553	0.648

The measures for firm performance were subjective due to the great contextual variation of the study. We admit that subjective measures have their limitations such as the risk for common method bias, but on the other hand it would be almost impossible to find such objective performance measurement data that would be applicable to and available from a wide range of contexts, from middle-sized public services organizations in emerging countries to global manufacturing giants headquartered in developed economies. Following Wiklund and Shepherd (2005), we asked the respondents to evaluate their firm's performance in relation to their competitors, covering multiple aspects of performance like financial performance, growth, customer, and employee satisfaction. The items and their descriptive information are shown in Table 2. The mean values indicate good performance on an average, especially in terms of customer relationships. The KMO measure for the correlation matrix was good (.933), and the principal component analysis resulted in a single component with eigenvalue larger than one (4.93), explaining 61.67 percent of total variance. All items had sufficient loadings and communalities, and Cronbach alpha indicated very good internal consistency for the scale (.910).

Table 2. Principal component analysis and reliability statistics for performance

Item wording (1=much worse, 5=much better)	*Mean*	*S. D.*	*Loading*	*Communality*	*Item-total correlation*
Performed better or worse in 2010 compared with competitors - gross margin	3.90	0.837	0.804	0.646	0.731
Performed better or worse in 2010 compared with competitors - profitability	3.99	0.850	0.826	0.682	0.758
Performed better or worse in 2010 compared with competitors - cash flow	3.90	0.841	0.788	0.620	0.712
Performed better or worse in 2010	3.95	0.869	0.793	0.629	0.720

compared with competitors - increase in turnover					
Performed better or worse in 2010 compared with competitors - increase in number of employees	3.79	0.921	0.751	0.565	0.674
Performed better or worse in 2010 compared with competitors - customer satisfaction	4.12	0.791	0.762	0.580	0.684
Performed better or worse in 2010 compared with competitors - customer retention	4.03	0.822	0.773	0.598	0.697
Performed better or worse in 2010 compared with competitors - employee satisfaction	3.91	0.916	0.783	0.613	0.710

4. Results

4.1. Descriptives

The 2,506 respondents of the survey were rather equally distributed across the sampled seven countries (the Netherlands, Germany, Spain, the USA, China, India and Malaysia). The number of cases varied between 287 for Germany and 421 for India. 20% of the respondents worked as general managers or board members, 19% as division directors, 36% as head of a functional unit, and the remaining 25% in other positions like advisor or consultant. The gender distribution was uneven, as only 29% of the respondents were female, but the age breakdown was more balanced with 22% under 30 years, 39% between 30 and 39 years, 23% between 40 and 49 years, and 16% of the respondents 50 years or older.

Figure 1 shows the industry distribution by country type. In total the largest sectors are other services (22%), manufacturing (19%), and public sector (16%). Business services and financial service each account for about 10% of the firms, and the remaining sectors represent 4-7% of the firms each. These include hospitality, construction, transport, and trade. Construction and manufacturing industries are slightly more represented in emerging countries, whereas public sector and other services are more prevalent in developed countries.

Figure 1. Industry distribution by country type

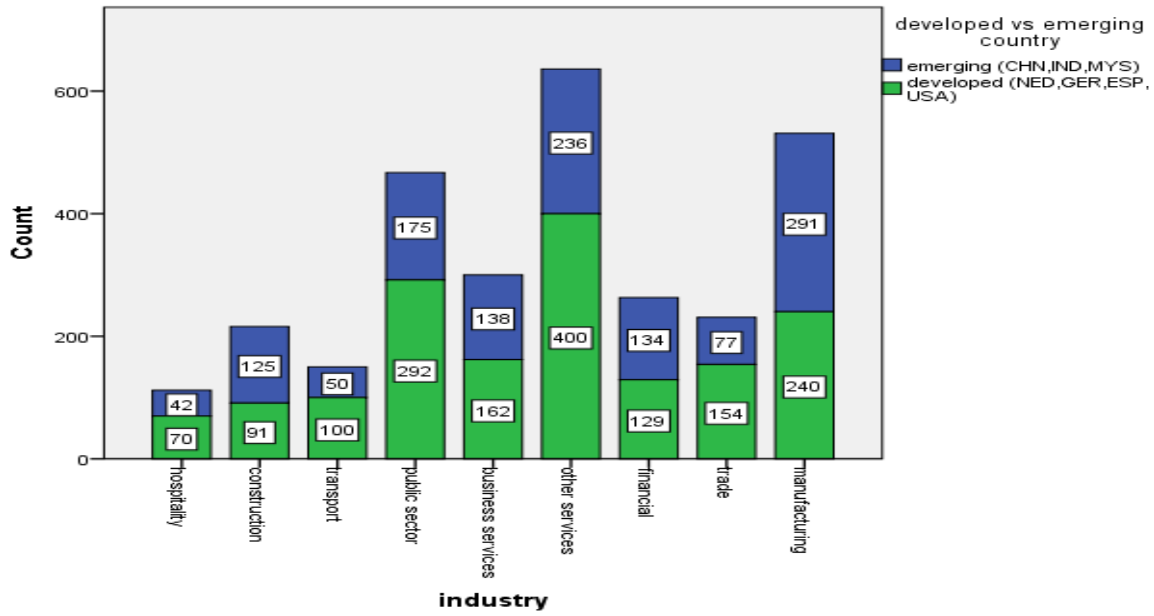

Table 3 shows the descriptive statistics of firm performance and the level of strategic planning in different contexts. The total average performance is good with a score of 3.91 on a scale from 1 to 5. However there are differences across industries, the lowest values being 3.71 for public sector and 3.77 for other services while the highest average performances are observed in construction (4.06), manufacturing (4.01) and financial services (4.00). The firm size categories do not differ significantly in terms of performance, but the firms in emerging countries perform significantly better (4.17) than their counterparts in developed nations (3.66).

Table 3. Descriptive statistics

Industry			*Performance*		*Strategic planning*	
	N	*%*	*Mean*	*Std. Dev.*	*Mean*	*Std. Dev.*
hospitality	92	3.79	3.93	0.80	4.23	0.62
construction	178	7.33	4.06	0.65	4.21	0.55
transport	123	5.06	3.97	0.66	4.17	0.59
public sector	385	15.84	3.71	0.80	4.02	0.68
business services	248	10.21	3.96	0.63	4.21	0.58
other services	530	21.81	3.77	0.72	4.05	0.64
financial	233	9.59	4.00	0.71	4.22	0.58
trade	180	7.41	3.91	0.62	4.05	0.59
manufacturing	461	18.97	4.01	0.64	4.22	0.58
Size	*N*	*%*	*Mean*	*Std. Dev.*	*Mean*	*Std. Dev.*
50-199	761	30.37	3.92	0.66	4.10	0.60
200-499	508	20.27	3.96	0.66	4.15	0.60
500-999	450	17.96	3.99	0.68	4.21	0.60
1000-	787	31.40	3.81	0.78	4.13	0.66
Country type	*N*	*%*	*Mean*	*Std. Dev.*	*Mean*	*Std. Dev.*
emerging	1224	48.84	4.17	0.57	4.29	0.54
developed	1282	51.16	3.66	0.74	4.00	0.66
Total	**2506**	**100.00**	**3.91**	**0.71**	**4.14**	**0.62**

Based on the total average value of 4.14 on a scale from 1 to 5, it can be said that the firms in general have a high level of strategic planning activities. The highest levels are found in emerging economies (4.29), large firms with 500-999 employees (4.21), hospitality (4.23), manufacturing (4.22), financial and business services (4.22), and construction (4.21) sectors.

4.2 Hypotheses Testing

The hypotheses were tested using the Univariate GLM procedure of IBM SPSS Statistics software. The dependent variable was the multi-item firm performance score. Strategic planning was used as a covariate and the contextual characteristics (country type, industry, and firm size) as fixed factors. We estimated the main effects of all independent variables and interactions between strategic planning and each contextual variable. The model fit and effect size statistics are shown in Table 4 and parameter estimates in Table 5.

Table 4. Univariate GLM model for firm performance: fit statistics and effect size

Source	*Type III SS*	*df*	*Mean Square*	*F*	*Sig.*	*Partial Eta Squared*
Corrected Model	508.500	25	20.340	68.919	0.000	0.417
Intercept	55.679	1	55.679	188.660	0.000	0.073
Str_planning	214.698	1	214.698	727.469	0.000	0.232
Country type	0.041	1	0.041	0.137	0.711	0.000
size	0.891	3	0.297	1.006	0.389	0.001
industry	9.372	8	1.172	3.970	0.000	0.013
Country type * Str_planning	0.816	1	0.816	2.765	0.096	0.001
size * Str_planning	0.789	3	0.263	0.891	0.445	0.001
industry * Str_planning	7.869	8	0.984	3.333	0.001	0.011
Error	709.494	2404	0.295			
Total	**38080.080**	**2430**				
Corrected Total	**1217.995**	**2429**				

The model explains 41.7% of the variance in firm performance. The effect of strategic planning alone accounts for 23% of the variation in performance while the effect sizes of contextual characteristics and interaction effects are considerably smaller. Industry has a significant main effect at 1% significance level but the main effects of country type and firm size are not statistically significant. Of the three estimated interaction effects, two are significant implying that the effect of strategic planning varies between developed economies and emerging countries, and even more significantly between industry sectors. Table 5 shows the effects in more detail.

Table 5. Univariate GLM model for firm performance: parameter estimates

Parameter	*B*	*Std. Err.*	*t*	*Sig.*
Intercept	1.891	0.231	8.194	0.000
Str_planning	0.440	0.055	8.026	0.000
Emerging country	0.060	0.162	0.371	0.711
Developed country	0[a]	.	.	.
Size: 50-199	0.242	0.189	1.279	0.201
Size: 200-499	-0.086	0.217	-0.394	0.694
Size: 500-999	-0.067	0.228	-0.294	0.769
Size: 1000-	0[a]	.	.	.
Hospitality	-1.369	0.435	-3.149	0.002
Construction	-1.123	0.367	-3.064	0.002
Transport	-0.284	0.401	-0.709	0.478
public sector	-0.977	0.253	-3.856	0.000
business services	-0.426	0.315	-1.355	0.176
other services	-0.878	0.244	-3.600	0.000
Financial	-0.296	0.325	-0.910	0.363
Trade	-0.034	0.343	-0.100	0.921
Manufacturing	0[a]	.	.	.
Emerging country * Str_planning	0.064	0.038	1.663	0.096
Developed country * Str_planning	0[a]	.	.	.
Size: 50-199* Str_planning	-0.032	0.045	-0.714	0.475
Size: 200-499 * Str_planning	0.045	0.052	0.870	0.384
Size: 500-999 * Str_planning	0.036	0.054	0.674	0.501
Size: 1000- * Str_planning	0[a]	.	.	.
hospitality * Str_planning	0.312	0.102	3.071	0.002

construction * Str_planning	0.270	0.086	3.131	0.002
transport * Str_planning	0.080	0.095	0.846	0.397
public sector * Str_planning	0.206	0.061	3.397	0.001
business services * Str_planning	0.093	0.074	1.255	0.210
other services * Str_planning	0.192	0.058	3.300	0.001
financial * Str_planning	0.070	0.076	0.916	0.360
trade * Str_planning	0.017	0.083	0.210	0.833
manufacturing * Str_planning	0[a]	.	.	.

[a] the reference category

The parameter estimate for strategic planning is positive (.440) and statistically significant, implying that firms having a higher level of strategic planning also have a higher level of performance. This clearly *supports* our first hypothesis (H1). The parameter estimates for all industries are negative, implying that the average performance in other industries is lower when compared to the manufacturing sector. The lowest levels of performance occur in hospitality, construction, public sector and other services.

The interaction of a country type and strategic planning is positive and statistically significant at the .10 level. This *supports* our resource-based view oriented hypothesis (H2) that the positive impact of strategic planning on firm performance is stronger in emerging economies than it is in developed countries. The third hypothesis (H3) about the interaction of firm size and strategic planning is not supported by our empirical data, as the parameter estimates are not statistically significant. Finally, H4 is supported as there are some statistically significant interactions between strategic planning and industry sectors. Specifically, in the industries where average performance is lower (hospitality, construction, private and public services), the positive effect of strategic planning is stronger.

5 Discussion and Conclusions

In this paper we analyzed globalization-driven worldwide industrial transformation from the strategic planning perspective. Especially in traditional manufacturing competition is becoming keener and keener and opportunities for locally or regionally earned monopoly rents are decreasing. The superior profits have to be based on Schumpeterian new combinations instead of Porterian monopoly rents. Another trend is the rapid rise of the service sector, even if the worldwide liberalization has not yet gone as far as in the manufacturing sector. There are still opportunities to profit from monopoly situations and especially from valuable, rare, inimitable, and non-substitutable (VRIN) resources or capabilities.

Based on the extensive review of existing literature on strategic planning and firm performance, we concluded that former empirical results are ambiguous and the lack of theoretical background is immense. Our method for filling this research gap was to use the resource-based view as a point of departure. Following its lead, we interpreted strategic planning as a resource/capability that promotes the firms' performance and looked at its role as a driver of corporate success. Clearly, most organizations engage in strategic planning to secure their competitive advantage and performance. However, our hypothesis is that strategic planning as a resource/capability is subject to diminishing returns that depend both on the stage of development of countries (emerging vs. developed) and the nature of industry sectors (manufacturing vs. services). The keener the competition, the less rare and valuable strategic planning capability becomes. If you are not able to plan strategically you cannot survive. Also the transfer of knowledge related to strategic planning techniques is becoming more and more rapid, especially in developed and manufacturing countries. There are Schumpeterian innovations and capacities to sense weak signals and to seize the strategic options, which are

of much greater importance. In the emerging economies with more turbulent and inefficient environments the situation is different. There, the ability to plan strategically still counts as a competitive advantage-enhancing asset. The same is also true in service industries where competition is not very fierce due to not yet fully liberalized world markets and local/regional monopoly forces based on economies of scale and scope.

In order to look at the relevance of strategic planning as a capability, we examined the performance consequences of strategic planning – measured as a multi-faceted 7-item scale – in a wide range of contexts. Our survey data consisted of more than 2,500 small, medium-sized, and large organizations from four developed countries (the USA, the Netherlands, Germany, and Spain) and three emerging countries (China, India, and Malaysia), representing one of the largest international studies in strategic planning research. The data covered a variety of industry sectors, for instance manufacturing, construction, transportation, trade, private and public services. Using general linear models, we managed to show that there are significant performance differences across countries, industries, and firm size, and that strategic planning explains performance much better than any other contextual characteristics. These performance differences are particularly interesting, considering recent meta-analytic results from Brinckmann et al. (2009), who generally state a clearly positive strategic planning-performance relation across all investigated countries. We further managed to corroborate our basic resource-based hypotheses that (i) strategic planning indeed counts and that (ii) the role of strategic planning is of greater importance in emerging than in developed economies and that (iii) is also more important in services than in manufacturing.

We think that this topic is highly important from the perspective of production economics in view of its new and theoretically grounded approach to drastic change processes the world economy is currently facing. The main limitation to our study is the narrow range of measurement items available for constructing the composite index for strategic planning. It does not capture enough dynamic capability-related capacities so important for modern strategic planning, such as sensing weak signals, seizing strategic options, and transforming the existing resource and knowledge bases when facing change (Teece, 2007). Our next challenge is to capture these future-oriented aspects of strategic planning as well.

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