FORMAL AND INFORMAL STRATEGIC PLANNING PRACTICES IN SMALL HIGH-TECH VENTURES (SUMMARY)

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Principal Topic

Strategy research tends to regard strategic planning as a continuum from the non-existence to the existence of well-established, formal strategic planning processes (Brinckmann et al., 2010; O’Regan & Ghobadian, 2002; Verreynne & Meyer, 2008). Much fewer studies have focused on the role of informal strategic planning (e.g., Berry, 1998; Mazzarol, Reboud & Soutar, 2009; Verreynne & Meyer, 2010), many with the implicit assumption that informal strategic planning is only done when formal strategic planning fails or only during the early stages of a company’s life cycle. In this study we seek to understand the continuous dynamics of formal and informal planning, and the related performance consequences.

Methods

We focused on a single industry and chose to study software SMEs in a narrowly defined geographic area, Finland. Our research consists of two studies: The sample of the first, qualitative study consisted of 24 interviews from twelve entrepreneurial firms using a matched-pairs design. The data analysis consisted of within-case analysis to identify causal mechanisms, and cross-case analysis in order to find emerging patterns across firms.

The sample for the second, quantitative study consisted 632 companies, surveyed in spring 2012, spring 2014, and fall 2015. We measured the strategy dimensions using the scales developed by Hart and Banbury (1994) and operationalized performance by using a log of two-year relative growth in revenues. The data were analyzed with Mplus 6.1 by fitting a crosslagged latent regression model of formal and informal dimensions of strategy making and growth.

Results and Implications

We find that informal and formal strategic planning tend co-exist and that the two were highly complementary. However, we found that of the two, only the degree of informal strategic planning is strongly and positively related to growth performance. Paradoxical, many of our case firms expressed the desire to move towards more formalized strategic planning practices, and this indeed did take place in the firms that grew. Our findings contribute to an improved understanding of the strategic planning – performance relationship and an important step towards linking informal strategy practices to performance outcomes in growth-oriented high-tech companies.

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