



Usage of business plans in the Montana business community
by George Christophis Makris

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science in
Business Education

Montana State University

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Abstract:

The major purpose of this study was to identify the business planning habits of Montana based small manufacturing firms, the owners perceptions of planning and its uses, as well as their awareness of business planning services. The population of the study consisted of 1500 Montana based manufacturing businesses as defined, identified and compiled by the Montana Department of Commerce in the Manufacturing Business Directory. The sample consisted of 200 firms that were randomly selected from the population. Out of the 100 questionnaires that were received, 53 were suitable for use in this study, 9 were not suitable, and 38 were left blank. The SAS statistical package was used to analyze the data.

The major conclusions of this study were: (1) one out of three small manufacturing firms had developed a written business plan upon starting their business or later. Giving direction to their company was the most common reason that prompted them to create a plan; (2) eight out of ten of those who prepared a business plan because it was a bank requirement do not use a plan today; (3) contrary to the literature review, only six percent of the manufacturers refrained from planning because it was too expensive. The most common reason for failing to develop a plan was never having thought about it; (4) while half of these manufacturers thought a business plan might be helpful to the future success of their company, only fifteen percent intended to develop one; (5) accounting firms had the highest level of awareness as providers of business planning services.

The main recommendations were: (1) banks should recognize that forcing a firm to prepare a business plan as a loan prerequisite will not necessarily guarantee that firm's success; (2) business support groups should educate business owners about the value of business planning; (3) the SBA should promote greater awareness of its programs; (4) future researchers should conduct studies that expand this one and longitudinal studies that examine the relationship between planning and success.

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This thesis has been read by each member of the thesis committee and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style and consistency, and is ready for submission to the College of Graduate Studies.

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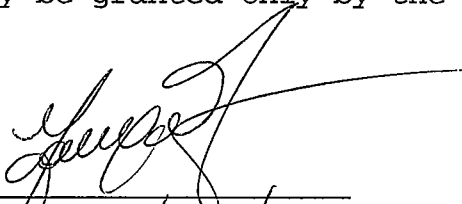
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ABSTRACT

The major purpose of this study was to identify the business planning habits of Montana based small manufacturing firms, the owners' perceptions of planning and its uses, as well as their awareness of business planning services. The population of the study consisted of 1500 Montana based manufacturing businesses as defined, identified and compiled by the Montana Department of Commerce in the Manufacturing Business Directory. The sample consisted of 200 firms that were randomly selected from the population. Out of the 100 questionnaires that were received, 53 were suitable for use in this study, 9 were not suitable, and 38 were left blank. The SAS statistical package was used to analyze the data.

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The main recommendations were: (1) banks should recognize that forcing a firm to prepare a business plan as a loan prerequisite will not necessarily guarantee that firm's success; (2) business support groups should educate business owners about the value of business planning; (3) the SBA should promote greater awareness of its programs; (4) future researchers should conduct studies that expand this one and longitudinal studies that examine the relationship between planning and success.

CHAPTER I

INTRODUCTION

Introduction

"Having the right mental attitude is important but it is not enough to guarantee the small company's success. What is essential -even for the smallest of companies- is planning."
(Fasano 1990)

Business planning is defined as "any process or strategy by which a business intends to accomplish its goals and to reduce risk and uncertainty in the future." (Cook 1985) In other words, taking concrete actions today, so that managers can effectively deal with tomorrow's events. The discipline of planning enables a business to make a commitment to success, to have a guide for better communication and management, and to be proactive rather than reactive.

When Bill and Julie Brice invested \$10,000 in two unprofitable frozen-yogurt stores 10 years ago, they did not have time to prepare a plan. Nevertheless, one year after they began operations, rapid expansion and the involved nature of the business forced Julie to acquire the necessary skills and develop a written business plan. Today, along with her brother Bill, she owns and manages the 120 member 'I Can't Believe It's Yogurt' franchise chain. Their success story was featured in the August 1988 edition of the Nation's Business magazine. "If I had to start over again, I

definitely would do a business plan to take a look at all the opportunities, the positives and the negatives," she was quoted as saying. In addition, she added that if she had planned prudently from the beginning, certain early errors would not have taken place. (Thompson 1988)

According to data released by the U.S. Department of Commerce and the SBA as reported in Meridian Learning Systems's book The New American Business System, "Over 80% of all new businesses fail within the first five years-and about half of them don't even make it through the first year. The reason for 92% of these failures is lack of business experience and expertise." (Chickadel et al 1991) In the opinion of small business consultant Harriett Fox, as it was reported in a June 1991 article in the Entrepreneur Magazine, the high failure rate small businesses experience every year can be directly attributed to lack of business planning. (Cook 1991) In the end, as popular wisdom has it: "Failing to plan is planning to fail."

Need for the Study

In view of the volatility and uncertainty of the business environment, the strong belief among small business experts that there is no substitute for a well-prepared business plan, as well as the intrinsic value of planning, it would seem rational that most small businesses would engage

to some extent in formal planning. (Dilts et al 1989) (Cook 1991) Nevertheless, what appears to be rational is not always the case. In the same article that described the 'I Can't Believe It's Yogurt' story, Leo Lauzen, chairman of a nationwide accounting franchise, reported that many small business owners "never write a proper plan," although they generally agree that a business plan would be beneficial to their long term growth. Lack of time and apprehension with the process are two often cited reasons for not writing a business plan. (Thompson 1988)

According to a special report that appeared in the October 23, 1989 issue of U.S. News and World Report, "Small businesses, defined as those with fewer than 100 workers, now employ nearly 60% of the work force and are expected to generate half of all jobs between now and the year 2000." In view of the very important role small businesses play in stimulating the economy, it makes sense at this period of slow economic growth to focus attention on small business research needs. (Drucker 1984)

This study will explore the business planning habits of Montana-based small manufacturing businesses, the owners' perceptions about business planning and its uses, as well as their awareness of outside help. The results of this study may be used by the Small Business Administration, the Montana Department of Commerce, professional organizations and others

to create or improve mechanisms that encourage and facilitate effective business planning within the state of Montana.

Statement of the Problem

The major purpose of this study was to identify the business planning habits of Montana based small manufacturing businesses, to assess the perceptions of small manufacturing business owners and general managers in relation to business planning, and to determine their awareness of public and private professional business planning services.

Questions to be Answered

1. What proportion of Montana based small manufacturing businesses prepare written business plans?
2. Why do they prepare or not prepare a written business plan?
3. What do they include in a business plan?
4. What help, if any, do they receive in preparing a business plan?
5. What are the perceptions of small manufacturing business owners and general managers in relation to certain aspects of business planning?
(especially usefulness and price)

6. What is their awareness of public and private professional business planning services?

Limitations of the Study

The study was limited to small manufacturing businesses that operated in Montana at the time of the study. The population of the study was comprised of 1500 firms that the Montana Department of Commerce had identified and compiled in the 1992 edition of the Manufacturing Business Directory. According to an official of the Department this list was comprehensive. The instrument of the study was a detailed self-administered questionnaire that was mailed to 200 randomly selected participants. A total of one hundred questionnaires were returned and 53 were suitable for use.

This study exclusively examined the manufacturing industry. Consequently, the results may not be generalized to the agricultural, retail and service industries. However, if the assumption can be made that small manufacturing businesses in the U.S. are similar to those in Montana, results may be generalized to the industrial sectors of other states.

It is possible that certain small business owners or managers did not respond accurately to the questionnaire, especially when answers could have reflected unfavorably on their businesses. This may have biased the findings of the

study. Nevertheless, the researcher believes that the majority of people provided accurate reports.

Terminology

The following terminology is given as an aid to the reader:

Business Planning: "Any process or strategy by which a business intends to accomplish its goals and to reduce risk and uncertainty in the future." (Cook 1985)

Key Results Areas (KRAs): "Customer satisfaction, productivity, innovation, resources, management development and performance, employee attitudes and performance, public responsibility, communications, climate management, organizational development. If a manager manages these KRAs as well as or better than his competitors, he will be able to increase profitability." (Randolph 1975)

Long Range Plan: "One which plans the growth, e.g. of a company, over the years ahead (usually five or more years). In making such a plan the company's strengths and weaknesses will be considered by the directors of the company, as well as the opportunities and threats in the market." (Wallace 1984)

Mission Statement: "A basic statement of what type of business a firm is in. It serves in giving direction to the company and in reminding everyone of what it is that the company is trying to achieve." (Larson 1990)

Objective: "A specific target to be sought at a specified point in time." (King et al 1987)

Operational Plan: "The setting of specific objectives for specific functional areas such as finance, marketing and personnel. Operational planning is typically performed on a six to twelve month basis." (Shrader et al 1989)

Short Term Planning: "The act of making plans for which things will happen soon (e.g. within about a year)." (Wallace 1984)

Small Business: "Under 20 employees very small; 20-99 small; 100-499 medium sized; and over 500, large. These breaks are consistent with standard business employment, asset, and receipt type classes established on May 18, 1982 by the Office of Management and Budget to be used by all federal agencies when publishing business data." (Report of the President 1989)

Small Business Administration (SBA): "A federal agency established in 1953 with responsibility for assisting small businesses. The SBA provides loans and loan guarantees as well as managerial assistance." (Cook 1985)

Small Business Development Center (SBDC): "The Montana SBDC is a unit of the Business Assistance Division of the Montana Department of Commerce, jointly funded by the Department and the SBA. Its mission is to provide specialized consulting to small businesses throughout the state." (Larson 1990)

Strategic Planning: "A written long-range plan, which includes both a corporate mission statement and a statement of organizational objectives. A strategic plan includes strategies indicating how objectives will be accomplished."

(Shrader et al 1989)

Strategy: "The general direction in which the objectives are to be pursued." (King et al 1987)

SWOT: "Strengths, weaknesses, opportunities and threats."

(Larson 1990)

Tactics: "Resource consuming sets of activities through which strategies are implemented and goals are pursued."

(King et al 1987)

Summary

This chapter presented the concepts that make up the framework of the study as well as the rationale for the study and defined the related terminology. The next chapter will review the related literature.

CHAPTER II

REVIEW OF LITERATURE

Introduction

This chapter provides an analysis of small business planning based on a variety of related issues. First, the need for planning is addressed. Second, the advantages and disadvantages of business planning are presented. Third, the feelings and actions of small business owners toward planning are considered. Fourth, the relationship between financing and planning is examined, Fifth, various groups that can offer professional advice are listed, and finally the contents of a typical business plan are defined.

The Need for Planning

A business plan is like a microscope because it enables firms to objectively examine themselves and like a telescope because it forces them to look at the external environment, said Densmore, a member of New Hampshire's Small Business Development Center (SBDC), in an article that appeared in the Entrepreneur Magazine during June 1991. "I see a direct relationship between the absence of a business plan and the

failure of a business," added Fox, president of a small business consulting firm in Florida, in the same article. (Cook 1991)

Indeed, empirical data confirm that there is a relationship between small business planning and organizational performance. In a study conducted by Charles Shrader and others in central Iowa, a stratified random sample of 115 small businesses was examined. The researchers used the Dun and Bradstreet database to select the businesses with the demographic characteristics they deemed desirable. Those were sales, employment, SIC codes and number of employees. All businesses had at least 10 employees but less than 100 and thus could be classified as small. The survey was conducted via personal interviews with the chief executive officer or top manager of each firm. Strategic planning as well as operational planning were both positively correlated with organizational performance although the strategic planning correlations were weaker and not as significant. Even though most aspects of operational planning showed significant correlations with organizational performance, the marketing and budgeting sections had the strongest relationships. (Shrader et al 1989)

A nationwide American Express survey, as it was cited in the September 1988 issue of the Journal of Accountancy, found the following among the small companies that were surveyed: Those small firms that grew faster than the rest

and had the highest profits were the ones that had better planning and management. (Journal of Accountancy 1988) In view of the data presented above, it would appear that if a small business develops a well thought-out business plan, the likelihood of that business failing should decrease. As Siegel, a business development consultant, put it: "If you do a real good job of writing your business plan, it's more than just putting words on paper. You do a lot of research and you expose a lot of flaws. Each one that you expose and treat, you enhance the chances of your success". (Moore 1989)

Increasing environmental uncertainty can be a factor in creating a need for business planning. Among other things, Shrader's previously mentioned study had also confirmed that there was a positive correlation between macro-environmental uncertainty and planning. (Shrader et al 1989)

Finally, it should be mentioned that the majority of commercial lenders require the presentation of a business plan before they will even consider granting a loan to a small business. (Cook 1991)

Advantages and Disadvantages of Business Planning

In Orpen's empirical study, where he surveyed 58 owners and managers of small businesses, it was concluded that despite many perceived difficulties, business planning (particularly long range planning) benefits small firms in

many ways. (Orpen 1985) In a later article that appeared in the 1987 edition of the Strategic Planning and Management Handbook, Dr. Fox, a business consultant and university professor, also compared the pros and cons of planning. (King et al 1987) Following is a list of the major advantages and disadvantages of business planning as they appeared in these studies:

1. Possible Advantages

- a. Provides clear direction
- b. Improves competitive position
- c. Facilitates proactive attitude
- d. Uncovers opportunities and weaknesses
- e. Focuses attention on long term success factors
- f. Promotes efficient allocation of resources
- g. Assists in the creation of accurate forecasts

2. Possible Disadvantages

- a. Demands too much time
- b. Costs too much money
- c. Requires special skills and knowledge
- d. Creates potential for information leaks
- e. Tends to expand bureaucratic controls

Notwithstanding its drawbacks, according to Dr. Hills, Director of the Office for Entrepreneurial Studies at the University of Illinois at Chicago, "Developing a business plan is widely recognized as an important part of starting and managing a business. For most people, the exercise of

developing a comprehensive business plan can help to identify voids, issues and uncertainties that would not otherwise be seen."

Small Business Owners and Planning

The majority of small business owners never engage in formal business planning. Although they agree that a business plan is useful, they are too busy to write one. (Thompson 1988) In his 1989 empirical study mentioned previously, Shrader found that the most common reasons small business owners had for not writing a plan included the high cost, lack of skills and expertise, lack of time, and planning not being appropriate for the business. (Shrader et al 1989) Nevertheless, even a 'mom and pop' operation could benefit by some degree of planning. According to Lauzen, a consultant with Comprehensive Accounting, "Ninety-two percent of businesses remain small. They don't grow into a size that needs a sixty-page plan. What they need is a five-page plan." (Thompson 1988)

Business Planning and Financing

"When seeking financing, a business plan is an invaluable tool. It helps you understand where your business is and where you want to take it, and it can be revised when you want to re-evaluate your business or add a new partner or product." (Goldberg 1993)

Indeed, a business plan will not only be helpful when trying to attract funds, but also it is required by most banks. (Cook 1991) In an opinion article that appeared in the September 1992 issue of the Entrepreneur Magazine, it was stated that an 'ordinary plan' is not sufficient when a business owner is seeking to finance a business. Instead, what he needs is a 'working plan' which can interest a lender because it shows that he successfully tested his project. The author goes on to add the following:

"A working business plan tests the marketability and profitability of an idea. And both marketability and profitability must be present before a plan is considered a working business plan. You might create a product that sells like crazy, but unless you can sell it at a price that creates a profit you don't have a business." (Blechman 1992)

According to an opinion article that appeared in the 1992 edition of Entrepreneur Magazine, it was stated that using a business plan as nothing but a financing vehicle for start up firms could be a 'costly mistake'. (Maturi 1992) The author further added that business plans should not be put aside once a business has been established but rather be used and updated on a regular basis. (Maturi 1992)

Getting Professional Advice

A variety of options exist for small business owners who want to enlist professional assistance in writing their business plans. The Small Business Administration (SBA), The

Service Corps of Retired Executives (SCORE), as well as Small Business Development Centers (SBDCs) across the country offer competent and inexpensive or free advice. These resources as well as university-based entrepreneurship centers and accounting firms should also be used when a business is growing more rapidly than it can handle advises Lisa J. Moore in an article that appeared in U.S. News and World Report in 1989. "Tapping such experience can make the difference between being buried by mistakes and comfortably spreading your roots," she adds. (Moore 1989)

When large companies need a business plan, they can usually afford the high cost associated with hiring expensive private consultants. Today, small businesses can have access to comparable advice from low-priced software packages. (Goldberg 1993) A significant number of books and software on business planning are available. Nevertheless, private consultants should not be neglected especially when a top-quality document is desired. (Cook 1991)

Business Plan Contents

A typical business plan usually includes the following:

a) Macroenvironmental analysis, i.e. an examination of the industry, the economy, competition, technology, social, political, and legal trends.

b) SWOT analysis, i.e. the strengths, weaknesses, opportunities and threats the company is facing.

c) Strategic analysis, i.e. the mission statement, objectives, and strategies.

d) Marketing analysis, i.e. an explanation of the product or service that is being marketed, its price, the promotional methods that will be used, the distribution channels, the product's competitive advantage as well as other related issues.

e) Production analysis, i.e. a description of the company's production facilities and procedures, methods of quality control, supplier references and other production related issues.

f) Financial analysis, i.e. projected cash flow statements, balance sheets, income statements and break-even schedules. Other related items such as an executive summary or a management profile may also be included in a business plan.

Fox, a small business consultant, strongly suggests that worst-case scenarios be included in a business plan. (Cook 1991) Carroll, a commercial lender with a mid-sized bank, would like to see 'footnotes' on plans. "Prospective borrowers have to show that they didn't just pick the numbers out of the sky," he says. "If you tell me utilities are going to be \$1200 a month without showing me you contacted

three lighting companies and you averaged the figures they gave you, that \$1200 is meaningless." (Cook 1991)

"As outside and internal circumstances change the business environment, your plan needs updating, just as road maps need updating when new roads are built," advises Dan Garner, an official with accounting giant Ernst and Young. (Maturi 1992) Moreover, he adds that projected objectives should be compared with actual performance and the reasons behind the organization's failure to meet those objectives should be uncovered and corrected. (Maturi 1992)

Summary

The review of the literature has shown that despite certain disadvantages, such as being expensive or consuming too much time, business planning can indeed be beneficial to small businesses. Giving direction to the firm and helping to allocate resources are two major advantages a plan can offer. Small business owners can get professional help from a variety of sources that range from inexpensive SBA programs to expensive private consulting. Chapter II has focused on the contents and implications of the literature review. Chapter III will address the procedures of the study.

CHAPTER III

PROCEDURES

Introduction

The major purpose of this study was to determine the business planning habits of Montana-based small manufacturing businesses, the owner's perceptions about business planning and its uses, as well as their awareness of professional business planning services. The information that was gathered in this study may be found useful by a variety of people. SBA and SCORE executives may find that their programs are not widely known and thus decide to increase public awareness. Private consultants may find additional needs for their services. Finally, Montana educators may find that stressing the need for business planning in current business curriculums is necessary.

The purpose of this chapter is to: a) give a brief review of related literature, b) describe the sources of data, c) present the methodology of construction of the survey instrument, d) give the timeline for data collection, e) describe the participant selection process and f) describe the data analysis method.

Review of Related Literature

A business plan, similar in some respects to a road map, can provide direction to a company, help it determine its key objectives, and detail the actions that need to be taken in order to achieve success. Small-business consultants tend to agree that business experience or financial strength cannot be used as a substitute for a functional business plan. The high failure rate small businesses experience every year could partially be attributed to lack of business planning. (Cook 1991) The ability to uncover strengths and weaknesses, to provide clear direction as well as to enable a company to be proactive are but a few advantages planning can offer. On the other hand, it might be too costly, demand too much time, and require special skills. (King et al 1987)

Although many small business owners agree that planning is useful, they never take the time to write a formal business plan. Nevertheless, even a 'miniature' plan would be helpful. (Thompson 1988) Inexpensive or free advice in writing a plan is readily available through SBA, SCORE, and SBDCs around the country. Private consultants are also available. A typical plan usually includes a macroenvironmental analysis, SWOT analysis, strategic analysis, as well as marketing, production, and financial plans.

Sources of Data

The information that was used in preparing the first three chapters was obtained from the following sources: Research and opinion articles were acquired through the Renne Library of Montana State University by conducting searches on the Infotrac periodical search system, the Harvard Business Review database and the Dissertation Abstracts Online. In addition, the researcher possessed a number of related books and articles.

Empirical data was collected through the use of a survey instrument in the form of a questionnaire. The instrument was administered to a randomly selected sample of small manufacturing businesses in Montana.

Construction Methodology of Survey Instrument

The survey instrument was a written questionnaire. After reviewing the literature and consulting with Professor Millikin, College of Business, Montana State University (MSU), the researcher designed the initial form. A draft of the instrument was presented to BuEd 524 class (Research in Business Education) at MSU during the month of July 1991. The participants reviewed and edited the instrument. Upon review and approval by Dr. Millikin, a pilot study was conducted to test the accuracy of the instrument. The pilot

study took place within the city of Bozeman, Montana, and it involved ten small business owners. Under the direction of Dr. Shannon Taylor, College of Business, MSU, and upon approval by the graduate committee, further revisions were made to the instrument. A new pilot study was conducted to further test the accuracy and ease of use of the improved instrument. The pilot study took place within the cities of Livingston and Bozeman, Montana, and it involved five small manufacturing business owners. No further revisions were required, and upon final approval by Dr. Taylor the instrument was administered.

Time Line for Data Collection

October 15,	1992	Initial pilot survey, 10 businesses in Bozeman, MT
March 24,	1993	Final pilot survey, 5 small business manufacturers in Bozeman and Livingston, MT
April 14,	1993	Mailing of survey and cover letter to sample
May 14,	1993	Cut-off date for returns

Participant Selection

The population of the study consisted of 1500 Montana based manufacturing businesses as defined, identified and compiled by the Montana Department of Commerce. All of these businesses had a telephone and a deliverable address. A sample of 200 businesses was randomly selected from the Manufacturing Business Directory published by the Montana Department of Commerce. The database was made available to the researcher on computer disk. The method of choosing every seventh business from the database was used. Upon completion of the selection process, the instrument and a cover letter was mailed to the 200 randomly chosen participants. A total of 100 questionnaires were received back. Out of those, 53 were filled out and were suitable for use in this study, 9 were not suitable for use and 38 were left blank. As it can be seen on the instrument itself (see Appendix B), recipients were asked to complete the questionnaire and return it, if their business could be classified primarily as a manufacturing company. If their business was anything else but a manufacturing company, recipients were asked to return the questionnaire blank.

This study may be subject to non-respondent bias because only 50% of the sample participants returned the instrument. Nevertheless, five of the firms that did not respond were

interviewed via phone and were found to have similar responses and demographic data as those who responded.

Data Analysis Method

The collected data were analyzed by using the SAS statistical package and Cricket Graph. Bar graphs, pie charts, frequencies, cross tabulations and chi squares were selectively used to analyze the findings of the study.

Summary

Chapter III addressed the issues of the survey instrument construction, the data collection timeline, and the participant selection process. Answers to questions presented in Chapter I were given by using the information that was obtained through the statistical analysis. Chapter IV will present the results.

PRESENTATION OF DATA

Introduction

The objective of this chapter is to present the findings of the study in a statistical and graphical form and to provide comments. First, the important demographic data is given. Second, the number of small manufacturing businesses that prepare or don't prepare written business plans is identified. Third, the rationale behind preparing or not preparing a written business plan is analyzed. Fourth, the contents of business plans are shown. Fifth, the role of outside help in business plan preparation is addressed. Sixth, the perceptions of business owners in relation to price and usefulness of a business plan are presented. Seventh, the business owners awareness of planning services is demonstrated.

Business Demographics

Out of the 100 questionnaires that were returned, 53 were filled out and were suitable for use in this research project, 9 were not suitable for use and 38 were left blank. This section gives the major demographic data of the 53

Montana based small businesses that returned a completed questionnaire and can be primarily considered as manufacturing companies. This study may be subject to non-respondent bias because only 50% of the sample participants responded. Five of the firms that did not respond were interviewed via phone and were found to have similar responses and demographic data as those who responded. This outcome was encouraging.

In order to enhance communication, the demographic characteristics are analyzed for the complete group of the respondents (53) and for the two main subgroups, i.e. those who at some point in time used a written business plan (Plan Group: 19) and those who never used a written business plan (No Plan Group: 34). These characteristics are as follows:

- a) Position of the person that filled out the questionnaire,
- b) Number of full-time employees, c) Legal status, and d) Gross sales.

Overall, the vast majority of the respondents were owners of the business that was being studied. As Figure 1 shows 44 (83%) were owners and 9 (17%) were managers. Table 1 further exhibits that within the Plan Group 14 (74%) of the respondents were owners of the business and 5 (26%) were managers. Within the No Plan Group 30 (88%) were owners of the business whereas only 4 (12%) were managers.

Figure 1

Position of Respondents Who Filled Out Questionnaire

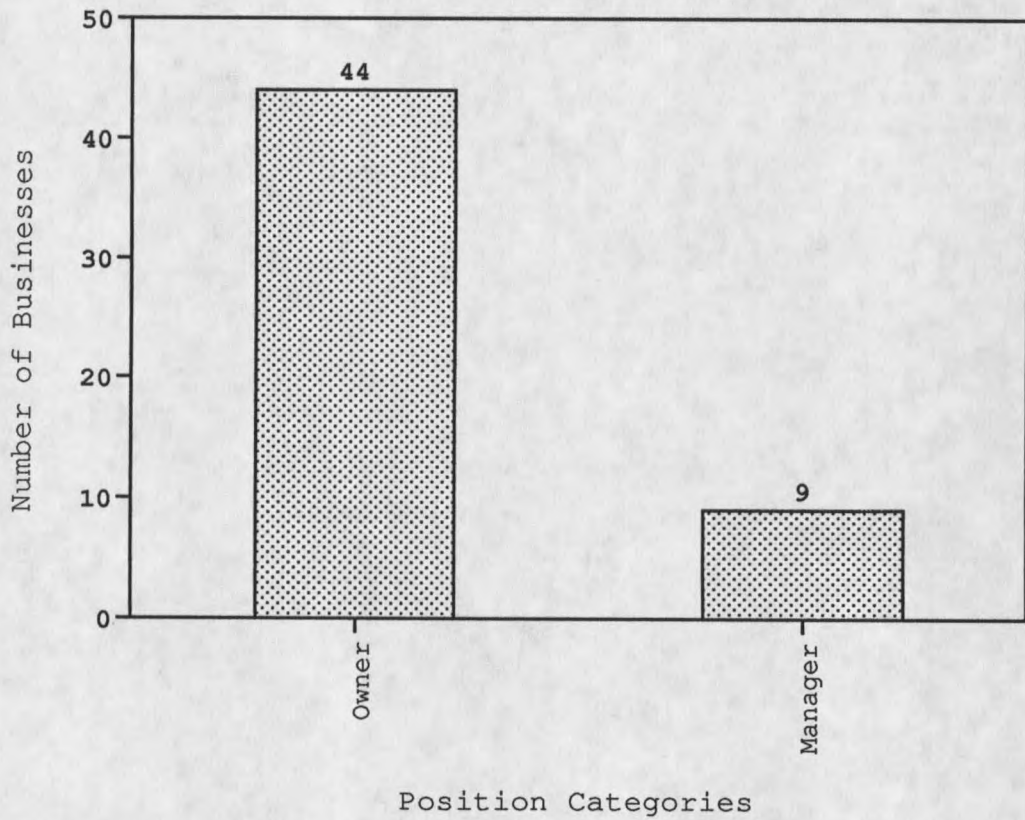


Table 1
Position of Respondents in Relation to Business Plan Creation

<u>Position of Respondents</u>	<u>Business Plan</u>		<u>Total</u>
	<u>No</u>	<u>Yes</u>	
<u>Manager</u>	4 (12%)	5 (26%)	9
<u>Owner</u>	30 (88%)	14 (74%)	44
<u>Total</u>	34 (100%)	19 (100%)	53

Figure 2 illustrates the number of full-time employees small manufacturing businesses had during 1992. They were as follows: 28 (58%) had between zero and five employees, 8 (17%) had between six and ten employees, 4 (8%) had between 11 and 20 employees, 3 (6%) had between 21 and 30 employees, none had any employees between 31 and 50, and 5 (10%) had over 50 employees. Five respondents failed to answer this question. According to the 1989 President's Report, businesses that have less than 20 employees are considered "very small" and businesses that have between 20 and 99 employees are considered "small." The data presented above indicate that 36 or more than half (75%) of the respondents are considered very small businesses whereas the rest are small. As Table 2 also shows, the number of very small businesses both proportionately and numerically is slightly larger within the No-Plan Group. Twenty six (89%) of the manufacturers out of the No-Plan Group are classified as very small businesses and 14 (74%) out of the Plan Group are classified as very small businesses.

Figure 2

Number of Full-Time Employees of
Responding Businesses

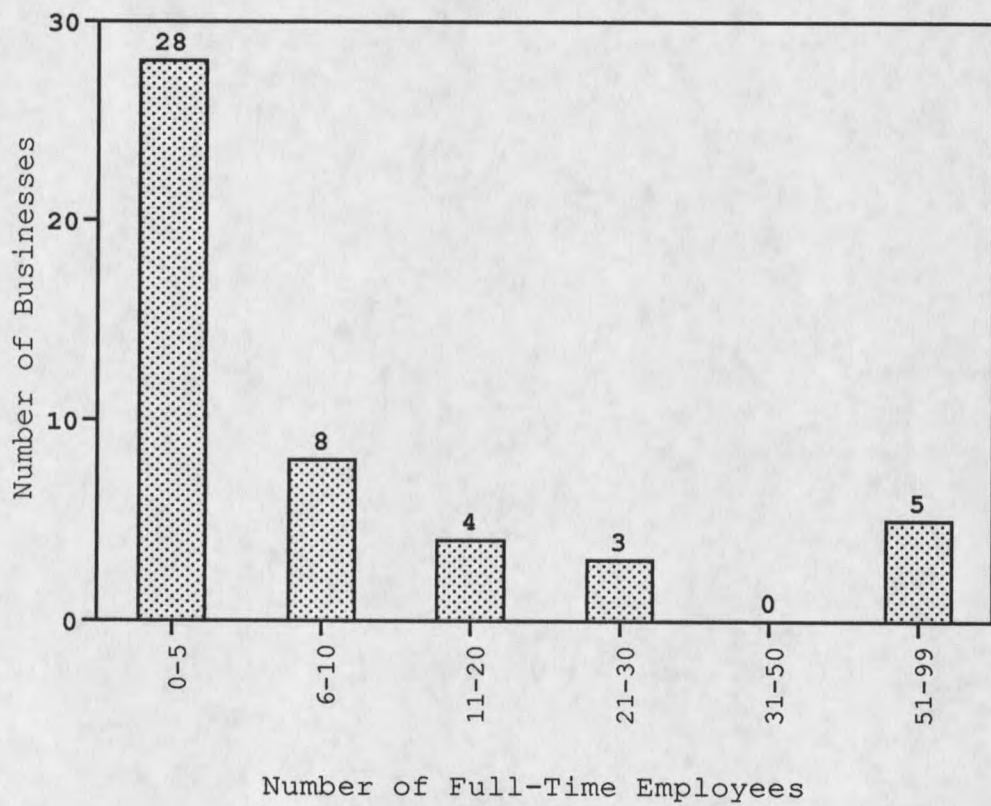


Table 2
Number of Full-Time Employees in Relation to Business Plan
Creation

<u>Number of Full</u> <u>Time Employees</u>	<u>Business Plan</u>		<u>Total</u>
	<u>No</u>	<u>Yes</u>	
<u>0-5 Employees</u>	21 (72%)	7 (37%)	28
<u>6-10 Employees</u>	3 (10%)	5 (26%)	8
<u>11-20 Employees</u>	2 (7%)	2 (11%)	4
<u>21-30 Employees</u>	2 (7%)	1 (5%)	3
<u>51-99 Employees</u>	1 (4%)	4 (21%)	5
<u>Total</u>	29 (100%)	19 (100%)	53

There was a relationship between the size of small manufacturers, as measured by the number of full-time employees in 1992, and their tendency to prepare or not prepare a written business plan. (Chi square was 11.29, degrees of freedom were 5, probability was less than .05)

The majority of the manufacturing businesses that responded to the survey were organized as corporations. As Figure 3 presents 32 (60%) were organized as corporations and 21 (40%) were organized as sole proprietorships. None of the respondents was organized as a partnership. Furthermore, according to Table 3 within the Plan Group 14 (74%) were organized as corporations and 5 (26%) as sole proprietorships. Within the No Plan Group 18 (53%) were organized as corporations and 16 (47%) as sole proprietorships.

Figure 3

Legal Status of Responding Businesses

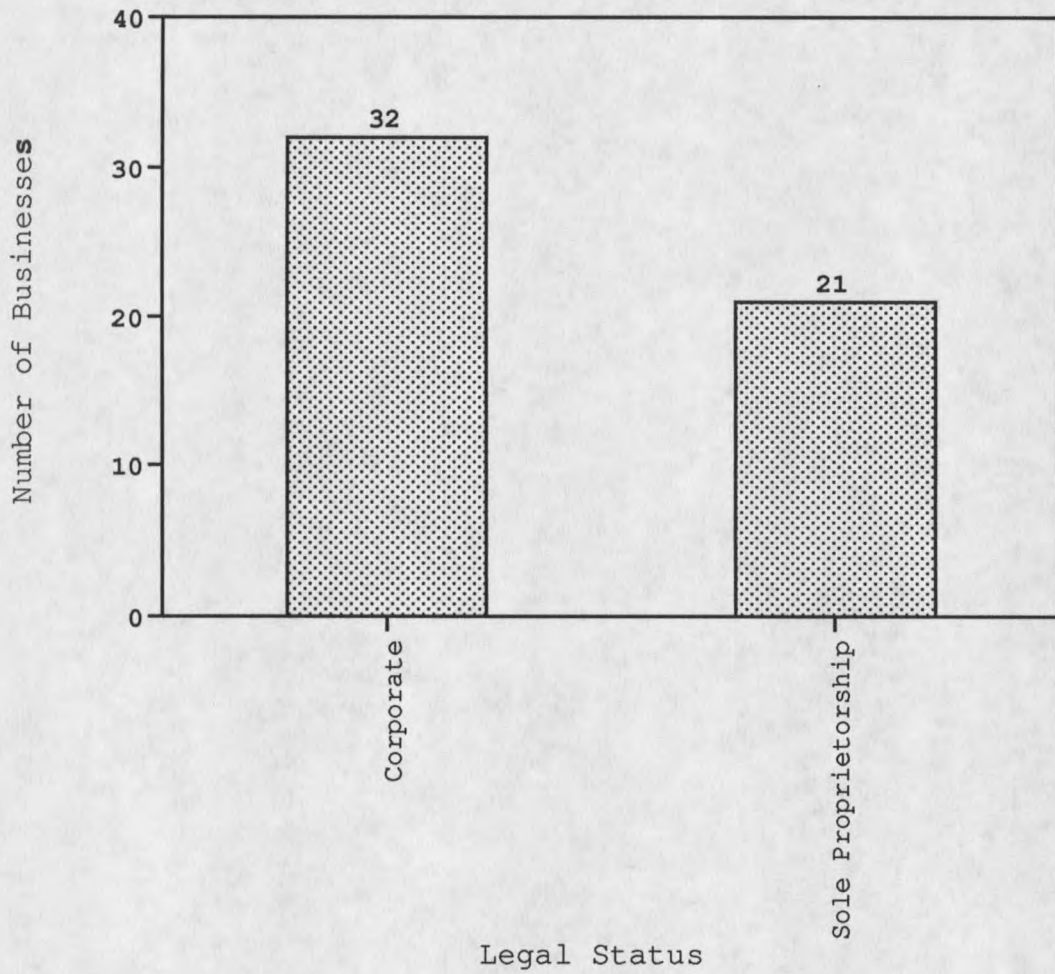


Table 3
Legal Status in Relation to Business Plan Creation

<u>Legal Status</u>	<u>Business Plan</u>		<u>Total</u>
	<u>No</u>	<u>Yes</u>	
<u>Corporation</u>	18(53%)	14(74%)	32
<u>Sole Propr.</u>	16(47%)	5(26%)	21
<u>Total</u>	34(100%)	19(100%)	53

The legal status of small manufacturers showed no relationship to their tendency to prepare or not prepare a written business plan. (Chi square was 2.19, degrees of freedom were 1, probability was greater than .05)

Figure 4 presents the data relevant to the gross sales of the qualified respondents. Of the 53 small manufacturers 16 (31%) had gross sales of \$100,000 or less, 12 (23%) had \$100,001 to \$250,000, 6 (12%) had \$251,000 to \$500,000, 7 (14%) had \$500,001 to \$1,000,000, 3 (6%) had \$1,000,001 to \$2,000,000, 4 (8%) had \$2,000,001 to \$5,000,000 and 4 (8%) had over \$5,000,001. One participant failed to answer the corresponding question. Table 4 demonstrates the gross sales within the Plan and No Plan Groups.

