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PREVIEW

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Redinbaugh, Donna Faye Heermann

**STRATEGIC PLANNING/MANAGEMENT IN SELECTED BIG EIGHT
ACCOUNTING FIRMS**

The University of Nebraska - Lincoln

PH.D.

1986

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PREVIEW

STRATEGIC PLANNING/MANAGEMENT IN SELECTED
BIG EIGHT ACCOUNTING FIRMS

by

Donna Heermann Redinbaugh

A DISSERTATION

Presented to the Faculty of
The Graduate College in the University of Nebraska
In Partial Fulfillment of Requirements
For the Degree of Doctor of Philosophy

Major: Interdepartmental Area of Business
(Accounting)

Under the supervision of Professor George C. Holdren

Lincoln, Nebraska

October, 1986

TITLE

STRATEGIC PLANNING/MANAGEMENT IN SELECTED

BIG EIGHT ACCOUNTING FIRMS

BY

Donna Heermann Redinbaugh

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STRATEGIC PLANNING/MANAGEMENT IN SELECTED
BIG EIGHT ACCOUNTING FIRMS

Donna Heermann Redinbaugh, Ph.D.

University of Nebraska, 1986

Adviser: George C. Holdren

The focus of this study was to analyze and explore the current state of the art of strategic planning/management processes among selected Big Eight accounting firms in the United States and to determine any resulting implications. Strategic planning/management as a process did not appear in Big Eight accounting firms before the mid-to-late seventies. Many public accounting firms did not publicly recognize the dynamic market environment and the need to adapt to change. Concentrated effort by these firms to adopt strategic planning/management concepts did not occur until the early 1980s. By January of 1986, strategic planning/management concepts have attained some degree of acceptance and integration in selected Big Eight accounting firms with varying degrees of operationalization and success.

Each accounting firm's strategic planning/management model was compared to Digman's Integrated Model of Strategic Management. Current research in the area of strategic planning/management of public accounting firms does not exist; only limited literature was available on the strategic planning/management processes used in other service firms. Primary data from seven of the Big Eight firms were collected to provide an opportunity to explore and analyze the linkage between

strategic planning/management and operational management with specific attention devoted to strategy formulation, evaluation, implementation, and control of their connection to operational tasks and functions.

Given the limitations of the sample and research design, it was found that although several Big Eight firms have formal models, most do not have formalized procedures; only general patterns and procedures (many intuitive and ad hoc) are utilized in the development of strategic planning/management models and processes. Furthermore, some firms are either in the initial stages of development of the strategic planning/management process, or are at the point where completion and measurement of results is not yet meaningful.

PREVIEW

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CHAPTER 1

INTRODUCTION

For the past twenty years, strategy has been a buzzword in the business environment. Top managers are concerned with strategic corporate goals, objectives, and missions; division management formulates product/market strategies; and operating managers design strategies and tactics for operational implementation. Managers used to engage in long-range planning and formulation of policy: they now call themselves strategists, and they engage in strategic decision making. We have progressed from discussing "strategy"¹ to "strategic planning"² to "strategic management";³ the terms are often all being used interchangeably when discussing a corporation's plan of action.

Realistically, many of the managers' decisions do not involve strategies at all. This increased attention to the concept of strategy and its semantic misuse by business managers has blurred the conceptual base of strategy. But this concentrated interest has served a useful purpose:

¹Strategy can be generally described as an idea, eventually translated into an action, which will affect or change the direction or character of a firm and achieve organizational objectives (Thompson and Strickland, 3rd ed., 1985, p. 41).

²Strategic planning can be generally described as concerned with the process of developing and evaluating alternative strategies, establishing objectives, and selecting the strategy that is to be used (Byars, 1984, p. 42).

³Strategic management can be generally described as a continuous process involving efforts to "fit" the organization with its changing environment in the most advantageous way possible (including organizational adaptation via internal changes to match the external environment) (Digman, 1986, pp. 4-5).

it focused management's attention on the critical issues affecting a business firm's long-term viability rather than on contemplating the operational aspects of the entity (Gluck et al, 1980, p. 154). In addition, management became aware of the fact that substantive changes in the organization's planning process had to occur if the firm was to survive in an unstable, highly competitive environment.

Numerous articles and books on strategy, exploring at length its myriad characteristics, have been written by practitioners and academicians in the past two decades. When several major corporations undertook massive reorientations in the 1960s to address the environmental challenges they faced and were judged to be successful, business executives recognized that these pioneering efforts in adapting to change through the use of strategic maneuvers were actions that could be replicated (Gluck et al, 1980, p. 154). In a relatively short period of time, a number of firms, across a spectrum of industries, invested heavily in strategic planning processes. These firms adopted the concepts of strategy and strategic planning; oftentimes they did so with little preparation or the appropriate foresight as to the practical application and implementation of the strategies they chose. Consequently, these firms achieved integration of the strategic planning process with varying degrees of success (and failure) (Shrader et al, 1984, pp. 149-171). In recent years, continuing refinements of the strategic planning/management process and a better understanding of how to implement the process appear to be improving the success factors in many organizations.

Although the basic concepts of strategic planning, strategy formulation, implementation, control and strategic management retain

their popularity in academic research and writing, there does appear to be a glaring omission in one segment of industry. Only a few references to strategic planning or strategic management can be found in the area of service organizations. This fact is especially true for professional service firms. There has been considerable effort expended on strategic planning models for product-oriented or manufacturing firms, but these applications and research findings have not been generalized or extended to professional service firms.

This apparent neglect may be due, in part, to the general impression that as a business entity, professional service firms differ significantly from manufacturing or marketing organizations. Or perhaps these firms are unaccustomed to dealing with environmental change. Thus, they face a distinctive set of problems. Although the state of the art has made progress in recent years, it is apparent that the area of strategic planning and management in professional service firms remains an unexplored topic which needs more research of both an empirical and a theoretical nature. Specifically, the research on the topic of strategic planning and management in public accounting firms is embryonic; especially in comparison to the extensive body of literature that has accumulated on strategy, strategic planning, and strategic management in other business segments.

The next sections briefly examine the general context of the business environment which led to the adoption of strategic planning/management concepts, justification of the research undertaken, and a statement of the problem.

CONTEXT OF THE PROBLEM

Recent business history has been characterized by tumultuous changes, periods of unprecedented growth, increasing competition, and growing uncertainty. During the years after World War II, the business environment in the United States experienced prosperity, productivity, and growth such as it had never seen before. As the economy shifted from war-time activities to a consumer orientation, an evolution in the international markets also occurred. The late 1950s marked the beginning of the globalization of America's economy and its political influence (Gluck, 1985, pp. 4-6; Ansoff, 1979, pp. 33-38).

Concomitant with this internationalization of America's markets and political responsibilities, two major factors--the increasing rate of environmental change and the increasing size and complexity of organizational structures and processes--led to important, dramatic changes in management practices (Schendel and Hofer, 1979, p. 4). Business organizations were forced to expand and diversify in order to survive; organizational structures and processes were adapted to fit these new structural modes. Traditional management principles of authority and responsibility had to be modified to fit the structural and environmental changes that were occurring. Internally and externally, technological, competitive, and social changes were having a definitive influence upon the nature of the business organization and its management (Ansoff, 1983, Vol. 1, pp. 24-25).

As external discontinuities increased, an awareness gradually arose among managers and academics that traditional management techniques and approaches no longer appeared to be adequate to meet the challenge of