



**BUSINESS GROWTH AND PERFORMANCE AND THE FINANCIAL
REPORTING PRACTICES OF AUSTRALIAN MANUFACTURING SMEs**

by

Richard Grant Philip McMahon, B.E., B.Ec., M.B.M. (Adel.)

A thesis submitted for the degree of Doctor of Philosophy of the University
of New England

8 May, 1998

ABSTRACT

This volume justifies and presents an exploratory research study of the proposition that relevant and timely financial reporting to owner-managers on the business affairs of their small or medium-sized enterprises is a necessary if not sufficient condition for achieving growth and performance enhancement when such concerns actively pursue development strategies. This proposition is specifically examined for a representative sample taken in 1995 of over 1 000 smaller manufacturing enterprises legally organised as proprietary companies in Australia.

The study has discovered much about which enterprise and financial management characteristics of the businesses investigated seem to determine their historical and future-oriented financial reporting practices. Chief amongst these are development orientation, extent of owner-management, technological complexity, degree of reliance upon external financial advice, and financial reporting climate. It has also been possible to demonstrate how the financial challenges and problems of enterprise growth and development create strong imperatives for improved financial reporting over time. However, the study has been unable to establish any statistically significant associations between the extent and frequency of financial reporting undertaken and certain measures of enterprise growth and performance.

The last finding is no doubt discouraging for those engaged as policy-makers or professional advisers in smaller enterprise support, who continue to urge owner-managers of such concerns to introduce and employ sophisticated financial reporting systems which are frequently computer-based. It would be most helpful to be able to demonstrate to hard-nosed owner-managers desirable payoffs in terms of improved growth and performance outcomes from such a costly managerial innovation. However, management is a complex activity affected by a myriad of interacting internal and external factors, and must inevitably be undertaken in an holistic manner in smaller concerns. Particular practices make a contribution to the whole task without necessarily standing out as all-embracing solutions to problems generally encountered. Improved financial reporting and analysis may therefore be viewed as part of a broader competence in financial management which, taken together with other functional capabilities, is likely to lead to more effective and efficient management of smaller enterprises and significantly improve their prospects.

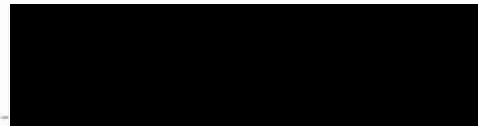
An argument is nevertheless made that owner-managers are well advised to make more extensive use of financial reports that are unavoidably prepared to meet external imperatives which exist, most especially when their concerns are financially challenged by growth strategies. Meeting statutory obligations as proprietary companies, achieving better internal financial control, and enjoying greater ease in securing and maintaining external financial support are identified as three potentially important bases for this advice.

CERTIFICATE OF ORIGINALITY

I certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree or qualification.

I certify that any help received in preparing this thesis, and all sources used, have been acknowledged in this thesis.

Signature: _____

A solid black rectangular box redacting the signature.

(R.G.P. McMahon)

Date: _____

A solid black rectangular box redacting the date.

'A small business is not a little big business.'

John Welsh & Jerry White

**'Even if you are on the right track,
you'll get run over if you just sit there.'**

Will Rogers

**'Bad production management and bad sales
management have slain their thousands, but
faulty finance has slain its tens of thousands.'**

Colin Brooks

**'Keeping accounts, Sir, is of no use when a man is spending
his own money, and has nobody to whom he is to account.'**

Samuel Johnson

**'The truth is, standard financial statements tell
only half the story in private companies.'**

Richard Levin & Virginia Travis

**'Let theory guide your observations, but till your reputation
is well established, be sparing in publishing theory.
It makes persons doubt your observations.'**

Charles Darwin

ACKNOWLEDGEMENTS

Every doctoral thesis has an history, and sometimes it can be interesting. This thesis, and the research on which it is based, had their origins in a long and most useful conversation with Mr Brian Gibson of the University of Newcastle, New South Wales over an extended breakfast in an hotel in Las Vegas, Nevada while we were both attending the 38th World Conference of the International Council for Small Business, held in 1993. The responsibility for the resulting gamble is, of course, all mine.

On reading this thesis, it will become apparent that the broad field of financial management of smaller enterprises has been a long-standing scholarly preoccupation of mine. In particular, as a professional accountant, I have for some time had a special interest in the financial reporting practices of smaller enterprises; and I have researched and published in the area with some success. Hence, my prior research projects and written works, including those undertaken collaboratively with academic colleagues, form important foundations for the present investigation. This being the case, it is essential that clear statements of attribution be made for the joint inquiries and publications which underpin this research, as follows:

- McMahon & Holmes (1989, 1990, 1991, 1992) arose from an extensive international literature survey and review of available empirical evidence on financial management practices in smaller enterprises instigated by myself. Professor Scott Holmes, then of the University of Queensland in Brisbane, Queensland initially surveyed and reviewed Australian studies in the area, and he included the findings of his own doctoral research. I dealt with all empirical evidence from outside of Australia. Most of the communication and liaison with working paper and journal editors was undertaken by myself. In a similar collaborative vein, much of this work has been republished as Chapter 9 of McMahon *et al.* (1993a), referred to below.
- McMahon & Davies (1991a, 1991b, 1992a, 1992b), McMahon *et al.* (1992a, 1992b, 1994a) and McMahon & Davies (1994) are based on data collected and recorded under the direction of Professor Leslie Davies while employed at the Small Business Centre, Durham University Business School in the North-East of England. Questions included in the interview schedule used in that research relating to financial reporting and analysis practices were devised by myself. I undertook all analysis and interpretation of the data, and all writing and presentation of the work identified (including communication and liaison with conference organisers, working paper and journal editors, etc.). Mr Nicholas Bluhm of The Flinders University of South Australia served as an occasional research assistant and an adviser on some statistical methods. Permission from 3i plc and the Tyne and Wear City Action Team to disseminate findings of the research is gratefully acknowledged.

- McMahon *et al.* (1992c, 1993b, 1994b) are the outcomes of a collaborative project with several colleagues at The Flinders University of South Australia. The project was instigated by me, and it deals with the imperatives that seem to drive financial reporting practices of smaller enterprises in Australia. I was responsible for providing argument and empirical evidence on the imperative created by the need for sound financial management in smaller enterprises.
- McMahon *et al.* (1993a) is an advanced textbook, with a very strong research orientation and basis, which deals with the theory and practice of financial management in smaller enterprises. I conceived the book, prepared the background research, recruited my co-authors, and wrote alone Chapters 1, 3, 4, 7 and 8. As noted in the first point above, Chapter 9 is the result of prior collaboration between myself and Professor Scott Holmes, with some additions to update it.

In this thesis, I frequently restate passages from the works above attributable to me alone without slavishly providing acknowledgments that are always accorded to the works and part-works of others. None of the passages written by me and used in this thesis have ever been submitted for assessment as a part of some other higher degree thesis. The veracity of the attribution statements made above can be established by reference to my valued co-researchers and co-authors.

I owe a huge and unrepayable debt to a team of professionals, personally unknown to me, who were responsible for conducting the *Best Financial Practice* study for the Australian Manufacturing Council just prior to its winding up by the federal government in 1996. I sincerely hope that my description and analysis of their data in this thesis has done justice to the very capable work undertaken by them. My gratitude is also due to the Australian Industrial Property Organisation which ultimately became custodian of the data from the *Best Financial Practice* survey, and which thankfully made it available to support my research. Clearly, I am solely responsible for the interpretations I have put on the data.

The willingness, encouragement and guidance of my supervisor Professor Patrick Hutchinson of the University of New England, Armidale, New South Wales are most gratefully acknowledged. It is a dedicated academic indeed who undertakes the doctoral supervision of a peer and friend of long standing – especially one who is inclined to be so opinionated and as abrasive! Perhaps it is sufficient to say that I only hope I can someday serve a colleague as well.

It is hard to imagine what my family Mrs Libby, Ms Katie and Ms Sophie McMahon will make of this thesis. While its contents might seem far removed from their own lives and interests, the personal deprivations they have experienced over the many years the thesis has been in production are still all too palpable. In her resting place, Mrs Elspeth Duncan will no doubt be pleased that her daughter may, at last, be married to a doctor.

And Ms Katie and Ms Sophie McMahon might enjoy receiving the relatively undivided attentions of their most ardent admirer and keenest surfing coach. But what will Mrs Libby McMahon make of a husband who finally is no longer in training?

Richard G.P. McMahon,
Stirling,
South Australia.

TABLE OF CONTENTS

ABSTRACT	ii
CERTIFICATE OF ORIGINALITY	iii
ACKNOWLEDGEMENTS	v
TABLE OF FIGURES	xiii
TABLE OF TABLES	xv
CHAPTER 1: INTRODUCTION TO THE RESEARCH STUDY	1
1.1 Introduction	1
1.2 The Research Question.....	1
1.2.1 Statement of the Research Question.....	1
1.2.2 Addressing the Research Question.....	2
1.2.3 Defining Terms in the Research Question	4
1.2.3.1 Smaller Business Enterprises.....	4
1.2.3.2 Smaller Manufacturing Enterprises	8
1.2.3.3 Smaller Growth Enterprises	9
1.2.3.4 Smaller Enterprise Growth and Performance	10
1.2.3.5 Financial Reporting Practices.....	11
1.2.3.6 Proprietary Company	13
1.2.4 Initial Justification of the Research Question	16
1.3 Smaller Enterprise - - International and Australian Perspectives	20
1.4 Significance of Smaller Manufacturing Enterprises.....	22
1.5 Australian Context for the Study	25
1.5.1 Australian Manufacturing Sector Problems.....	25
1.5.2 Australian Manufacturing Council Reports.....	27
1.5.2.1 International Perspective on Australian Manufacturing.....	27
1.5.2.2 <i>Emerging Exporters</i> Study	28
1.5.2.3 Innovation and Best Practice Studies	30
1.5.3 Small Business Index Special Report	31
1.5.4 Financial Management and Support for SMEs.....	33
1.6 About This Research Study	35
1.6.1 Summary Rationale for the Study.....	35
1.6.2 Objectives of the Study	36
1.6.3 Overview of the Study.....	37
1.7 Structure of the Thesis	39
1.8 Chapter Review.....	40

CHAPTER 2: SMALLER ENTERPRISES, GROWTH AND PERFORMANCE.....	41
2.1 Introduction	41
2.2 Smaller Enterprises and Growth	41
2.2.1 Defining Smaller Growth Enterprise	41
2.2.2 Explaining Smaller Enterprise Growth	44
2.2.3 Stage Models of Smaller Enterprise Growth	48
2.3 Financial Dimensions of SME Growth.....	57
2.3.1 SME Financial Profiles	57
2.3.2 Problematic SME Growth	59
2.3.3 Financial Management Practices and SME Growth	65
2.4 Smaller Enterprise Growth and Performance.....	69
2.4.1 Measuring Smaller Enterprise Growth and Performance	69
2.4.2 Smaller Enterprise Growth Measures	70
2.4.3 Smaller Enterprise Performance Measures	71
2.4.4 Subjective Measurement of Enterprise Growth and Performance	73
2.4.5 Relating Enterprise Size, Age, Growth and Performance.....	77
2.4 Chapter Review.....	81
 CHAPTER 3: SME FINANCIAL REPORTING CONTEXT AND THEORY.....	 83
3.1 Introduction	83
3.2 Financial Management Context of Financial Reporting.....	83
3.3 Accounting Context of Financial Reporting	85
3.3.1 Defining Financial Reporting	85
3.3.2 Reporting Entity Concept.....	87
3.3.3 Specifying Financial Reporting Practices.....	89
3.4 Legal Context of Financial Reporting.....	92
3.4.1 Financial Reporting for Taxation Purposes	92
3.4.2 Financial Reporting by Proprietary Companies.....	94
3.4.2.1 Prior to Corporations Law Simplification.....	94
3.4.2.2 Subsequent to Corporations Law Simplification.....	96
3.4.2.3 Anticipated Developments in Financial Reporting	103
3.5 Strategic Management and Financial Reporting	108
3.5.1 Strategic Management Theoretical Framework	108
3.5.2 Strategic Management Evidence from Overseas.....	114
3.5.3 Strategic Management Evidence from Australia	118
3.6 Finance Perspectives on Smaller Enterprise Financial Reporting	122
3.6.1 Information Economics and Financial Reporting.....	122
3.6.2 Modern Finance Theory and Financial Reporting	126

3.6.3 Agency Theory and Financial Reporting	131
3.6.4 Signalling Theory and Financial Reporting	136
3.6.5 Austrian Economics and Financial Reporting.....	139
3.7 An Attempted Synthesis on SME Financial Reporting.....	141
3.7.1 Frameworks for Understanding SME Financial Reporting.....	141
3.7.2 How SME Financial Reporting May Be Limited.....	142
3.7.3 Explaining Limited Financial Reporting in SMEs.....	144
3.7.4 Regulation of SME Financial Reporting.....	146
3.7.5 Incentives For More Comprehensive SME Financial Reporting	147
3.7.6 Lenders' Expectations for SME Financial Reporting	150
3.7.7 Financial Information Signalling by SMEs	154
3.8 Chapter Review.....	155
CHAPTER 4: SME FINANCIAL REPORTING PRACTICES	157
4.1 Introduction	157
4.2 Financial Reporting Practices in Smaller Enterprises.....	157
4.2.1 Financial Reporting Evidence from Overseas.....	157
4.2.2 Financial Reporting Evidence from Australia.....	166
4.3 Financial Reporting Practices in Smaller Growth Enterprises.....	175
4.3.1 Financial Reporting and Growth Evidence from Overseas.....	175
4.3.2 Financial Reporting and Growth Evidence from Australia	193
4.4 Financial Reporting and SME Growth and Performance	198
4.5 Chapter Review.....	201
CHAPTER 5: RESEARCH STUDY APPROACH AND METHOD	203
5.1 Introduction	203
5.2 Critical Appraisal of Prior Smaller Enterprise Research	203
5.3 Paradigm Choice for the Study.....	209
5.4 Methodological Framework for the Study.....	212
5.4.1 Broad Methodological Approach.....	212
5.4.2 Exploratory Orientation of the Research.....	213
5.4.3 Obtaining Data for the Research	217
5.4.4 Employing a Postal Survey in the Research.....	220
5.5 Data Collection for the Study	222
5.5.1 General Considerations.....	222
5.5.2 Research Instrument Design and Testing	222
5.5.3 Sample Selection Procedure	223
5.5.4 Response to the Survey	224
5.5.5 Data Coding.....	227
5.6 Data Description and Analysis for the Study	227

5.6.1 General Considerations.....	227
5.6.2 Descriptive Statistics.....	230
5.6.3 Bivariate Associative Analysis.....	231
5.6.4 Preliminary Multivariate Data Analysis.....	233
5.6.5 Multivariate Predictive Modelling.....	235
5.7 Chapter Review.....	243
CHAPTER 6: DESCRIPTIVE FINDINGS OF THE RESEARCH STUDY	244
6.1 Introduction	244
6.2 Enterprise Characteristics.....	245
6.2.1 Enterprise Size.....	245
6.2.2 Enterprise Age	246
6.2.3 Manufacturing Sub-Sector.....	247
6.2.4 Geographical Location	249
6.2.5 Manufacturing Complexity.....	250
6.2.6 Export Commitment	251
6.2.7 Owner-Management.....	253
6.2.8 Strategic Planning.....	255
6.2.9 Strategic Management	256
6.2.10 Growth Commitment	262
6.2.11 Growth Constraints.....	265
6.2.12 Enterprise Characteristics Summary.....	271
6.3 Financial Management Characteristics.....	273
6.3.1 Financial Systems.....	273
6.3.2 Financial Audit	275
6.3.3 Business Financing	276
6.3.4 Financial Reporting to Financiers	280
6.3.5 Financial Relationships.....	282
6.3.6 Internal Financial Advice.....	286
6.3.7 External Financial Advice.....	291
6.3.8 Financial Decision-Making.....	294
6.3.9 Financial Systems Review	295
6.3.10 Financial Management Characteristics Summary	297
6.4 Financial Reporting Practices	299
6.4.1 Historical Financial Reporting Practices	299
6.4.2 Future-Oriented Financial Reporting Practices	305
6.4.3 Historical Financial Statement Analysis Practices.....	307
6.4.4 Financial Reporting Practices Summary.....	311
6.5 Business Growth and Performance.....	312
6.5.1 Growth	312

6.5.2 Performance	313
6.5.3 Business Growth and Performance Summary	317
6.6 Chapter Review.....	317
CHAPTER 7: ANALYSIS OF THE RESEARCH STUDY FINDINGS	319
7.1 Introduction	319
7.2 Preliminary Multivariate Data Analysis	319
7.2.1 Enterprise Characteristics.....	319
7.2.2 Financial Management Characteristics.....	330
7.2.3 Financial Reporting Practices.....	342
7.2.4 Preliminary Multivariate Data Analysis Summary	345
7.3 Multivariate Predictive Modelling.....	347
7.3.1 Financial Reporting Practices.....	347
7.3.2 Business Growth	354
7.3.3 Business Performance	366
7.3.4 Multivariate Predictive Modelling Summary.....	378
7.4 Chapter Review.....	381
CHAPTER 8: SUMMARY AND CONCLUSIONS OF THE RESEARCH STUDY	383
8.1 Introduction	383
8.2 Summarising Findings of the Study	383
8.2.1 Financial Reporting Practices.....	383
8.2.2 Growth and Financial Reporting Practices.....	386
8.2.3 Business Growth and Performance	388
8.3 Limitations of the Study	390
8.4 Recommendations Arising From the Study.....	392
8.4.1 Smaller Enterprise Scholarship	392
8.4.2 Smaller Enterprise Policy-Making.....	395
8.5 Study's Contributions to Knowledge.....	399
8.6 Chapter Review.....	403
REFERENCES.....	405
APPENDIX A: ACCESS TO AUSTRALIAN MANUFACTURING COUNCIL DATABASES... ..	A1
APPENDIX B: INSTRUMENT USED IN THE RESEARCH STUDY.....	B1
APPENDIX C: ADDITIONAL STATISTICS FROM THE RESEARCH STUDY	C1

TABLE OF FIGURES

Figure 1.1: Field of Scholarship for the Research	2
Figure 1.2: Analytical Model for the Research.....	38
Figure 2.1: Hanks <i>et al.</i> (1993) Enterprise Life-Cycle Model.....	51
Figure 3.1: Qualitative Characteristics of Accounting Information	86
Figure 3.2: Owner-Manager Business Ideologies	111
Figure 3.3: Normative Model of Financial Management	127
Figure 3.4: Role of the Financial Manager	127
Figure 3.5: Smaller Enterprise Financial Information Cycle.....	130
Figure 6.1: Enterprise Size in Study Sample.....	245
Figure 6.2 Manufacturing Sub-Sectors in Study Sample	247
Figure 6.3 Enterprise Size and Manufacturing Sub-Sector	248
Figure 6.4 States/Territories in Study Sample.....	249
Figure 6.5 Manufacturing Complexity in Study Sample.....	250
Figure 6.6 Enterprise Size and Manufacturing Complexity	251
Figure 6.7: Export Involvement and Enterprise Size	252
Figure 6.8: Owner-Management in Study Sample.....	254
Figure 6.9: Business Environment Awareness in Study Sample.....	258
Figure 6.10: Investment Planning Horizon in Study Sample.....	259
Figure 6.11: Influences on Business Performance in Study Sample.....	260
Figure 6.12: Organisational Teamwork in Study Sample.....	261
Figure 6.13: Importance of Growth Objective in Study Sample	263
Figure 6.14: Importance of Cash for Growth in Study Sample.....	264
Figure 6.15: Importance of Lifestyle Objective in Study Sample	265
Figure 6.16: Access to Growth Finance in Study Sample.....	266
Figure 6.17: Access to Equity Finance in Study Sample	266
Figure 6.18: Importance of Retaining Control in Study Sample.....	267
Figure 6.19: External Financing Problems in Study Sample.....	268
Figure 6.20: Importance of Growth Potential in Study Sample	269
Figure 6.21: General Ledger System in Study Sample.....	273
Figure 6.22: Budgeting System in Study Sample	274
Figure 6.23: External Financing in Study Sample	276
Figure 6.24: Debt to Equity Ratio in Study Sample	277
Figure 6.25: Financier Understanding of Manufacturing Operations.....	284
Figure 6.26: Financier Understanding of Financial Management.....	284
Figure 6.27: Staff Number in Finance Function.....	287
Figure 6.28: Financial Awareness Amongst Employees	289
Figure 6.29: Employee Participation in Budgeting.....	290
Figure 6.30: Financial Adviser Understanding of Business.....	294

Figure 6.31: Financial Decision-Making in Study Sample.....	295
Figure 6.32: Satisfaction With Financial Practices in Study Sample.....	296
Figure 6.33: Financial Practices Review in Study Sample.....	297
Figure 6.34: Use of Historical Balance Sheet.....	299
Figure 6.35: Use of Historical Profit and Loss Statement.....	300
Figure 6.36: Use of Historical Cash-Flow Statement.....	301
Figure 6.37: Usage Frequency for Historical Profit and Loss Statement.....	302
Figure 6.38: Frequency of Cash Position Assessment.....	304
Figure 6.39: Estimation of Future Cash Requirements.....	306
Figure 6.40: Horizon for Estimating Future Cash Requirements.....	307
Figure 6.41: Benchmarking in Study Sample.....	309
Figure 6.42: Frequency of Budget Comparisons.....	310
Figure 6.43 Past Sales Growth in Study Sample.....	312
Figure 6.44 Future Sales Growth in Study Sample.....	313
Figure 6.45 Annual Sales Turnover in Study Sample.....	314
Figure 6.46: Enterprise Profitability in Study Sample.....	315
Figure 6.47: Liquidity Crises in Study Sample.....	316
Figure 8.1: Modelling Financial Reporting Practices in Subsequent Research.....	393

TABLE OF TABLES

Table 1.1: Upper Employment Limits of SME Definitions.....	6
Table 1.2: Growth Aspirations of Australian Businesses, 1995.....	10
Table 1.3: Australian Manufacturing Companies, 1995.....	14
Table 1.4: Significance of Manufacturing, 1982-83 to 1994-95.....	22
Table 1.5: Significance of Manufacturing Enterprises of Various Sizes, 1993-94.....	24
Table 1.6: Financial Management Tool Use in Small Business Index Study.....	32
Table 2.1: Functional Specialisations in Life-Cycle Stages.....	61
Table 2.2: Financial Problems in Life-Cycle Stages.....	62
Table 2.3: Financial Problems, Degree of Competition and Life-Cycle Stages.....	63
Table 2.4: Financial Problems in Smaller Growth Enterprises.....	64
Table 2.5: Financial Control in Rapid Growth and Non-Growth Enterprises.....	68
Table 2.6: Comparison of Subjective Growth and Performance Measures.....	76
Table 3.1: Application of Corporations Law (CL) to Proprietary Companies.....	105
Table 3.2: Strategic Management and Accounting Controls.....	112
Table 3.3: Enterprise Size, Financial Reporting and Life-Cycle Stages.....	121
Table 3.4: Importance of Financial Information to Bank Loan Officers.....	151
Table 3.4 (cont.): Importance of Financial Information to Bank Loan Officers.....	152
Table 4.1: Financial Ratios Used.....	158
Table 4.2: Financial Ratio Benchmarks Used.....	159
Table 4.3: Cash-Flow Forecasting Practices.....	160
Table 4.4: Awareness and Use of Cash-Flow Forecasts.....	160
Table 4.5: Cash-Flow Forecasting Practices.....	161
Table 4.6: Ranking of Use of Financial Reports.....	161
Table 4.7: Ranking of Use of Financial Reports.....	162
Table 4.8: Decision Influence of Financial Reports.....	163
Table 4.9: Additional Financial Information Desired.....	163
Table 4.10: Responsibility for Financial Statement Analysis.....	164
Table 4.11: Financial Ratios Used.....	164
Table 4.12: Financial Ratios Used.....	165
Table 4.13: Use of Cash Budgeting.....	166
Table 4.14: Types of Future-Oriented Financial Reports Used.....	167
Table 4.15: Types of Financial Reports Supplied to External Users.....	167
Table 4.16: Types of Financial Reports Provided to Financiers.....	168
Table 4.17: Financial Reports and Analyses Used.....	168
Table 4.18: Frequency of Financial Reporting.....	169
Table 4.19: Competent Use of Financial Reports.....	169
Table 4.20: Financial Reports and Analyses Used.....	170
Table 4.21: Responsibility for Preparing Financial Reports.....	170

Table 4.22: Frequency of Financial Reporting.....	171
Table 4.23: Frequency of Historical Profit and Loss Statement	171
Table 4.24: Frequency of Cash-Flow Forecast.....	172
Table 4.25: Financial Reporting Cost Burden.....	173
Table 4.26: Responsibility for Bookkeeping	177
Table 4.27: Financial Statements for Financiers	178
Table 4.28: Financial Reporting Frequency.....	178
Table 4.29: Financial Ratios Used	179
Table 4.30: Importance of Financial Ratios for Profitability	179
Table 4.31: Importance of Financial Ratios for Solvency	180
Table 4.32: Historical Financial Reporting in Growth Enterprises	182
Table 4.33: Future-Oriented Financial Reporting in Growth Enterprises.....	183
Table 4.34: Use of Projected Financial Statements for Cash Management	183
Table 4.35: Use of Financial Reports.....	184
Table 4.36: Frequency of Use of Financial Reports.....	185
Table 4.37: Use of Financial Ratios	186
Table 4.38: Use of Financial Ratio Standards	187
Table 4.39: Correlates With Historical Financial Reporting Practices	188
Table 4.40: Logistic Regression Model of Historical Financial Reporting.....	189
Table 4.41: Classification Success of Historical Financial Reporting Model	191
Table 4.42: Logistic Regression Model of Financial Analysis	192
Table 4.43: Classification Success of Financial Analysis Model	193
Table 4.44: Coefficients in Holmes & Nicholls' (1989) Model	196
Table 4.45: Coefficients in Holmes' <i>et al.</i> (1989) Model	197
Table 4.46: Correlates With Financial Reporting Practices	200
Table 5.1: Time Taken To Complete Survey Instrument.....	226
Table 5.2: Willingness To Cooperate Further in Study	226
Table 5.3: Truncation of <i>Best Financial Practice</i> Datafile	228
Table 5.4: Descriptors for Associations Between Variables	230
Table 6.1: Enterprise Size Distribution for Study Sample.....	245
Table 6.2: Financing Beliefs in Study Sample.....	270
Table 6.3: Fund Raising Success in Study Sample	278
Table 6.4: Financial Reporting to Financiers.....	280
Table 6.5: Associated Financial Reporting to Financiers.....	281
Table 6.6: Recent Finance Staff Training.....	287
Table 6.7: Associated Financial Training for Finance Staff	288
Table 6.8: External Financial Adviser Services.....	292
Table 6.9: Associated Historical Financial Reporting.....	301
Table 7.1: Eigen Values for Enterprise Characteristic Components.....	322
Table 7.2: Loadings for Enterprise Characteristics	324

Table 7.3: Eigen Values for Financial Management Characteristic Components	334
Table 7.4: Loadings for Financial Management Characteristics.....	335
Table 7.4 (cont.): Loadings for Financial Management Characteristics.....	336
Table 7.5: Loadings for Financial Reporting Practices	344
Table 7.6: Associations Between Financial Reporting and Business Context	345
Table 7.7: Logistic Regression Models for Financial Reporting Practices	349
Table 7.8: Goodness-of-Fit for Financial Reporting Models.....	352
Table 7.9: Classification Success for Financial Reporting Models.....	354
Table 7.10: Logistic Regression Models for Past Sales Growth.....	357
Table 7.11: Goodness-of-Fit for Past Sales Growth Models	360
Table 7.12: Classification Success for Past Sales Growth Models	361
Table 7.13: Logistic Regression Models for Anticipated Sales Growth	363
Table 7.14: Goodness-of-Fit for Anticipated Sales Growth Models.....	365
Table 7.15: Classification Success for Anticipated Sales Growth Models.....	365
Table 7.16: Logistic Regression Models for Annual Sales Turnover	368
Table 7.17: Goodness-of-Fit for Annual Sales Turnover Models	371
Table 7.18: Classification Success for Annual Sales Turnover Models.....	371
Table 7.19: Logistic Regression Models for Profitability	372
Table 7.20: Goodness-of-Fit for Profitability Models	374
Table 7.21: Classification Success for Profitability Models.....	375
Table 7.22: Logistic Regression Models for Liquidity Crisis Experience.....	376
Table 7.23: Goodness-of-Fit for Liquidity Crisis Models	378
Table 7.24: Classification Success for Liquidity Crisis Models.....	378