

A Comparative Study of Strategic Planning Practices of SMEs and Large-Sized Business Organizations in Emerging Economies: The Case of UAE¹

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SMEs based in UAE and other emerging economies can benefit from the strategic planning tools and processes employed by their counterparts in developed economies.

With better training and professional development programs, companies can expose employees to new developments in strategic management theory and practice.

Increasing competition in emerging economies with an influx of multinational companies is likely to call for more systematic strategic planning models involving the use of sophisticated planning tools and techniques as sources of competitive advantage.

While SMEs in the emerging economy of UAE have begun to use strategic planning tools such as financial analysis, PEST analysis, cost–benefit analysis, and core and distinctive competency analysis, they are still far behind large-sized business organizations.

Small and medium-sized enterprises (SMEs) are widely regarded as key drivers of innovation, economic growth, and employment in the world economy. In emerging markets, in particular, SMEs have played a crucial role in creating employment opportunities as well as making a substantial contribution to the GDP (Abdulla and Bin Bakar, 2000; Kutllovci and Shala, 2013; John, 2014). In the United Arab Emirates (UAE), SMEs have been a potent force in the growth and expansion of the country's commercial industry. It is estimated that SMEs account for more than 90% of economic projects in the UAE, provide employment to over 60% of the workforce, and contribute more than 70% to the UAE's GDP (Emine, 2012). Larger business organizations frequently regard SMEs as their primary, and perhaps most formidable, competitors. However, strategic planning in the SME sector is still rudimentary compared with large-sized organizations (Kukalis, 1994; O'Regan and Ghobadian, 2002; Stonehouse and Pemberton, 2002; Kraus *et al.*, 2006; Wang *et al.*, 2007; Reboud and Mazzarol, 2008). This study was undertaken to look at the usage of strategic planning tools and techniques among SMEs and large-sized business organizations in the emerging economy of the UAE to identify areas where SMEs must focus to develop and sustain their competitive advantage.

Although it is quite fashionable to talk about strategy in the business world, empirical research on strategic planning practices has been somewhat sparse, especially in the Arab Gulf region. Consequently, little is known about the nature of strategic planning and the type of planning instruments used by SMEs or their counterparts, the large-sized business organizations. Dubai, with its good mix of multinationals and SMEs, provides a proper setting to explore and identify the

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type of strategic planning tools that SMEs and larger firms tend to use. A large number of local and regional business organizations – as well as branch offices or subsidiaries of multinational companies – are based in Dubai, which adds further to the uniqueness of Dubai as a site for the current study.

In recent years, the strategic planning theory and practice has shown a shift from the strategic planning process to instruments and techniques that form the content and substance of the strategy (Frost, 2003; Aldehayyat *et al.*, 2011). Strategic planning tools and techniques are considered important as they add to a manager's diagnostic and analytical skills, which, in turn, shape the strategic planning process. The identification and application of appropriate strategic tools thus have a significant bearing on the performance outcomes of an organization and merit special attention.

The present study examines the usage of strategic planning tools and techniques by SMEs and large-sized business organizations in the UAE context. While a broad spectrum of planning tools is discussed in the strategy literature (Webster *et al.*, 1989; Clark, 1997; Hussey, 1997; Lisinski and Saruckij, 2010), the following twenty tools were selected for empirical investigation in this study: SWOT, PEST, Porter's five forces, core and distinctive competency analysis, financial analysis of competitors, financial analysis of own company, value chain analysis, organizational culture analysis, HRM analysis, portfolio analysis (BCG and GE models), mission analysis, cost–benefit analysis, key success factors, scenario construction, gap analysis, benchmarking, product life cycle, strategic group analysis, and stakeholder analysis. The choice of these instruments was based on input from subject matter experts (strategy consultants, planners with extensive industry experience), senior executives of companies that agreed to participate in the survey, and previous research (Glaister and Falshaw, 1999; Elbanna, 2007; Aldehayyat *et al.*, 2011).

This article is structured as follows. In the next section, a brief review of the literature on the use of strategic

planning tools and techniques in Western countries and in the Middle Eastern context is presented. Following this, data collection sources and procedures are discussed. The next section presents data analysis and results. We conclude with a discussion of the study findings, implications, and directions for future research.

Review of the literature

Strategic planning and use of planning tools and techniques

The classical strategic management theory viewed strategy as a deliberate planning process, which is usually initiated by a company's top management. The process involves a fairly elaborate industry analysis and assessment of organizational resources to develop a formal, grand action strategy for the entire organization (Volberda, 2004; Wheelen and Hunger, 2012). This view placed special emphasis on the need for a systematic analysis of an organization's environment to equip decision makers with the relevant facts and figures. Over the years, this rational thinking led to the development of several important analytical tools and techniques such as SWOT analysis, PEST analysis, Porter's five forces, portfolio models, strategic group analysis, and so on. Most SMEs and multinationals based in the Western countries and their subsidiaries around the world continue to make extensive use of these planning tools and techniques in their strategic planning practices (Henry, 2011; Hill and Jones, 2012; Thompson *et al.*, 2012).

The classical rational perspective fostered a prescriptive view of strategy, suggesting that the strategy development process must follow a sequential set of steps starting with a review of the mission statement, identification of performance objectives, environmental analysis, strategy formulation, implementation, and control (Johnson *et al.*, 2008). Although the proponents of the 'learning school' (Mintzberg and Walters, 1985; Mintzberg, 1994), who argued that strategy is more likely to emerge than be

rationally planned, challenged this view, the rational approach continues to enjoy a large following. This may be partly attributed to the empirical evidence documenting that planned strategies make a positive contribution to organizational performance (Greenley, 1994; Miller and Cardinal, 1994; Anderson, 2000; Snyman and Drew, 2003; Kee-Luen *et al.*, 2013). Despite the rise and fall in the popularity of formal strategic planning over the past half century according to Glaister and Falshaw (1999), strategic planning is widely considered as beneficial and it is 'still going strong.'

Several empirical studies have appeared over the past two to three decades to assess the usage of strategic planning tools and techniques. Glaister and Falshaw's (1999) study of 113 UK service and manufacturing companies was perhaps one of the few early studies that offered a detailed examination of the nature and practice of strategic planning. The following five techniques ranked highest in terms of their usage in a list of 19 techniques they examined: spreadsheet what-if analysis, analysis of key success factors, financial analysis of competitors, SWOT analysis, and core capabilities analysis. Overall, the respondents indicated a very positive attitude toward strategic planning.

In a later study, Dincer *et al.* (2006) extended the Glaister and Falshaw (1999) study to a sample of Turkish firms. The most common tools used in Turkey included economic forecasting models, SWOT analysis, scenario construction, financial analysis of competitors, and analysis of organizational culture. The foreign-owned firms adopted a broader set of strategic planning tools and techniques than the local firms; the foreign firms also believed that strategy was more deliberate and planned than the local companies. In another study, Glaister *et al.* (2009) conducted a comparative analysis of strategic planning practices of companies from the UK and Turkey. The findings revealed that UK firms employed a wider range of strategic planning tools and techniques than Turkish firms. However, both groups of firms believed that the strategic planning process is more deliberate than emergent in nature.

Several other researchers have investigated the use of strategic planning tools in the context of the UK. In a survey of 159 small and medium-sized service and manufacturing firms sampled from northeast England, Stonehouse and Pemberton (2002) found internal financial analysis, followed by SWOT analysis, to be the most frequently used techniques. Only larger businesses, according to Stonehouse and Pemberton (2002), displayed genuine 'strategic thinking' in their planning practices. Gunn and Williams (2007), based on a postal survey of a cross-section of organizations in the UK, identified the following three strategic tools with high usage: SWOT analysis, benchmarking, and critical success factors. The three least-used techniques were resource capability analysis, industry structural analysis, and McKinsey's 7 'S' framework.

Perhaps Frost's (2003) study was one of the most comprehensive on the use of strategic tools. Frost investigated the use of strategic planning tools by SMEs in Western Australia, Singapore, Hong Kong, and Malaysia. The results indicated that the strategic tools and techniques that management used for a given set of tasks were fairly similar. The four most frequently used tools were SWOT, PEST, financial ratio analysis, and budgeting. On the whole, SMEs used a somewhat limited range of strategic tools and techniques compared with larger business organizations.

Research in the context of the Middle East

Over the past two decades, some valuable research efforts have been made in the Middle East to identify the most common strategic planning tools and techniques used by business organizations. In an earlier study, Khan and Al-Buarki (1992) examined the use of strategic planning tools in Bahrain. Some 22% of the companies made regular use of strategic management tools, and the most common tools used included financial analysis, SWOT analysis, gap analysis, and SPACE (strategic position and action evaluation) analysis. Strategic planning tools such as portfolio (BCG) analysis, perceptual mapping, and

directional policy matrices were the least common tools in Bahrain. Al Ghamdi (2005) conducted a similar study in Saudi Arabia and the findings suggested that only 10% of Saudi business organizations used strategic tools on a regular basis. The most common tools used were as follows: critical success factors, benchmarking, and what-if analysis. The next most popular set of strategic tools consisted of SWOT analysis, product life cycle, and stakeholder analysis. Strategic planning tools such as the experience curve, portfolio analysis, value chain analysis, and PIMS (profit impact of market strategy) showed very limited use, while the Delphi technique, cognitive mapping, and Porter's five forces were the least-used planning tools.

In a study of 120 Egyptian companies, Elbanna (2007) investigated the use of some 28 strategic tools and respondents' attitudes toward strategic planning. The following five tools received higher ranking in terms of their usage by Egyptian companies: pro forma financial statements, cost-benefit analysis, SWOT analysis, competitor analysis, and portfolio analysis. The least-used tools included the experience curve, value chain analysis, Porter's five forces, Boston Consulting Group (BCG) matrix, General Electric (GE) matrix, PIMS, and the Delphi technique. A high proportion of respondents were not familiar with some of the traditional strategic management tools. Most respondents, however, showed a positive attitude toward strategic planning.

Aldehayyat and Anchor (2008) explored the awareness and use of strategic planning tools and techniques in Jordan in a sample of 203 public companies from the financial, service, and industrial sectors. The top five strategic planning techniques used by Jordanian companies were financial analysis, PEST or STEP analysis, Porter's five forces analysis, analysis of key success factors, and core capability analysis. A considerable number of respondents did not use several planning tools because of their lack of awareness. In a more recent study, Aldehayyat *et al.* (2011) investigated the use of strategic planning tools and techniques in a sample of 40 hotels in Jordan. Of the 16

techniques they examined, the top five with the highest mean scores were as follows: financial analysis of own business, SWOT analysis, PEST analysis, Porter's five forces, and analysis of critical success factors. The relatively less-used techniques consisted of analysis of organizational culture, strategic planning software, value chain analysis, stakeholder analysis, portfolio analysis, scenario construction, and core capability analysis.

The findings of these studies offer valuable insights into the use of strategic planning tools and the views held by companies with regard to the importance of such tools and techniques in the Middle East. The present study was designed to extend the findings of these studies to the UAE, where usage of strategic planning tools has not been systematically investigated. Likewise, there is little data on the nature of strategic planning or the way SMEs or larger firms perceive the importance of strategic planning in the UAE. An earlier study concluded that strategic planning with long-term orientation was not a common practice in the UAE (Al-Shaikh, 2001). However, over the past decade, the UAE has witnessed a remarkable growth in both the SME and multinational business sectors, leading to an intensely competitive business environment. It is thus important to take a fresh look at the nature of strategic planning and the type of planning tools and techniques that business organizations pursue in the current highly competitive environment of the UAE. The rapidly growing SME sector in the UAE further makes it worthwhile to compare SMEs with larger business organizations to identify differences and similarities between them in terms of the usage of strategic planning tools and the general attitude toward the importance of strategic planning.

Methodology

Study sample and data

Data for this study was collected from the Emirate of Dubai, the second largest emirate after Abu Dhabi.

According to a recent survey, SMEs accounted for 95% of the establishments in Dubai and contributed about 40% to Dubai's economic growth (Dubai SME, 2014; John, 2014). In addition to a vast SME sector, Dubai also has a number of large-sized private and public business organizations. As with other emirates, most SMEs and large businesses in Dubai are in the service industry.

Since the present study was undertaken to compare the use of strategic planning tools and techniques by SMEs and larger firms, the sample included an approximately equal number of SMEs and larger firms. Consistent with the definition set forth by the Government of Dubai (Dubai SME, 2014), business firms with 250 or fewer employees were considered to be SMEs and firms with more than 250 employees were defined as large-sized firms. A sampling framework of 800 companies was developed from the commercial directory maintained by Dubai Chamber of Commerce and Industry (DCCI, 2013). The size of the business enterprise was the primary criterion used in defining the sampling framework. Using a simple random sampling technique, 400 companies (50% of the sampling frame) were selected for the present study. Of these 400 companies, 185 provided the requested data. Four surveys with incomplete data were excluded from the analysis, resulting in an effective response rate of 45%. The usable data on 181 companies included 91 SMEs and 90 large-sized enterprises.

Given the nature of the study, the questionnaire was administered to senior managers who were considered to be knowledgeable about their organization's strategic planning practices and the tools and techniques they use. Over half of the 181 respondents who provided the requested data completed the questionnaires on the first visit, while in the remaining cases the questionnaires were left with target respondents and collected at a later date.

A comparison of the responses received on the first visit and those received over a period of two to three weeks did not show significant differences in the mean values of key study variables. This indicates that the available data did not have any non-response bias (Armstrong and

Overton, 1977). A test for common method bias was also conducted. The results of the factor analysis did not reveal a single factor in any of the measures used in the study (Podsakoff *et al.*, 2003). Most variables produced two or three factors, where the first factor did not account for more than 38% of the common variance, suggesting that common method bias was not a problem (Lindell and Whitney, 2001).

In terms of the organizational position of survey participants, a little over half (53%) included senior managers working as general managers, administrators, directors, chief financial officers (CFOs), and chief operating officers (COOs). 48% of the respondents had Bachelor-level education, while 15% held Master's degrees or professional designations. The average length of service in the current organization was 7 years, while 36% of respondents had worked for more than 10 years with their organizations.

In terms of size, 50% of the business organizations had fewer than 251 employees, defined as SMEs in the present study. The size of the remaining companies ranged from 260 to 570 employees. 71% of business organizations were in the service industry, and over half of them have been in operation for over 18 years. 66% of companies were in the private sector.

Measurement of variables

The survey instrument was designed to generate data on the following aspects of strategic planning practices:

- frequency of use of a set of 20 strategic planning tools and techniques;
- time horizon of strategy;
- responsibility for strategic planning;
- attitude toward strategic planning;
- demographic data on the organization – size, ownership, type of business (manufacturing, service, or both).

Strategic planning tools and techniques

Twenty strategic planning tools were selected for the present study, following discussions with five subject

matter experts who had extensive industry experience as consultants and planners, and ten senior managers of companies included in the study. The list of 20 tools was presented to respondents for rating on a 7-point Likert-type scale assessing the frequency of use of each strategic tool. Although a pilot survey conducted before launching the study indicated sufficient knowledge and understanding of strategic planning tools and techniques among the target respondents, a glossary of the 20 tools and techniques with definitions and brief descriptions was appended to the survey questionnaire. This greatly improved the accuracy of respondents' answers to the survey questions.

Nature of strategic planning

The respondents were asked to rate on a 7-point scale the extent to which their organizations pursued planned and emergent strategies, or no formal strategic planning.

Planning horizon

The following three planning horizons were considered in this study: less than five years, five years, and more than five years.

Involvement in strategic planning

Questions were asked to assess the extent of involvement of different individuals and committees in the strategic planning process. The respondents were given a list of the following individuals and committees and asked to rate the involvement of each on a 7-point scale: the owner/manager or CEO, planning committees, senior managers, middle managers, external consultants, and board of directors.

Views about strategic planning

Survey participants' attitudes toward strategic planning were assessed with a set of 10 statements, which asked if the strategic planning helped the company align its resources with business opportunities or produced rigidity and bureaucracy.

Nearly all items measuring a given strategic planning practice as described above were selected from previous studies, and thus have well-established psychometric properties in the literature. However, the present study assessed the reliability of all measures with Chronbach's alpha coefficient and the validity by means of inter-item and item-to-total correlations. All measures produced alpha reliability coefficients higher than 0.70 – the threshold value required for a measure to be considered reliable. The average size of inter-item and item-to-total correlations was 0.46, documenting the validity of the variables under investigation.

Data analysis and results

Since the main focus of the current study was to compare SMEs and large-sized business organizations on variables of interest, a two-sample means test was deemed appropriate to assess the degree to which differences between SMEs and larger firms were statistically significant. Several previous studies in this area also employed mean values to rank the usage of strategic planning tools and techniques, as well as to compare subgroups such as service versus manufacturing or local versus foreign companies (Glaister and Falshaw, 1999; Dincer *et al.*, 2006; Glaister *et al.*, 2009). The present study reports results based on the two-sample means test (i.e., *t*-test).

Use of strategic planning tools and techniques

Table 1 summarizes the results relating to the use of strategic planning tools and techniques. As can be seen, SWOT analysis occurred as the most common technique among both SMEs and large-sized business enterprises. Other frequently used strategic planning techniques included financial analysis of own company, HRM analysis, cost–benefit analysis, and PEST analysis. In terms of rank, the next five tools with mean scores closest to the median score of 4 are as follows: mission statement review, organizational culture analysis, core and distinctive competencies, scenario construction, and portfolio

Table 1. Use of strategic planning tools and techniques: a comparison of SMEs and large-sized business organizations

Strategic planning tools and techniques	All firms (N= 181)		SMEs (N= 91)		Large firms (N= 90)		t-Value	Sig. of t
	Mean	Rank	Mean	Rank	Mean	Rank		
SWOT analysis	5.38	1	5.37	1	5.40	1	0.12	0.901
Financial analysis of your company	5.09	2	4.84	2	5.35	2	2.21	0.028
HRM analysis	4.55	3	4.48	3	4.63	5	0.57	0.565
Cost–benefit analysis	4.53	4	4.38	4	4.67	4	1.12	0.264
PEST analysis	4.16	5	3.81	5	4.52	6	2.63	0.009
Mission statement review	3.92	6	3.14	10	4.72	3	9.68	0.001
Organizational culture analysis	3.90	7	3.73	6	4.06	7	1.37	0.173
Core/distinctive competency analysis	3.63	8	3.40	8	3.86	8	1.87	0.060
Scenario analysis	3.61	9	3.50	7	3.70	10	0.71	0.475
Portfolio analysis (BCG, GE)	3.40	10	3.21	9	3.59	11	1.83	0.053
Value chain analysis	3.13	11	2.91	11	3.35	12	2.18	0.030
Gap analysis	2.93	12	2.12	12	3.75	9	7.04	0.001
Porter's five forces analysis	2.71	13	2.11	13	3.32	13	5.17	0.001
Benchmarking	2.68	14	2.08	16	3.29	16	6.18	0.001
Product life cycle analysis	2.65	15	2.06	17	3.23	17	6.23	0.001
Key success factors	2.57	16	2.11	13	3.03	18	4.85	0.001
Stakeholder analysis	2.55	17	1.80	18	3.31	14	6.59	0.001
Financial analysis of competitors	2.54	18	2.09	15	3.30	15	4.78	0.001
Experience curve analysis	2.53	19	2.10	14	2.95	19	4.37	0.001
SWOT analysis	5.38	1	5.37	1	5.40	1	0.12	0.901

Note: The mean is an average of a 7-point scale with 'Not at all' (1) and 'To a great extent' (7) end-points.

analysis. Several other techniques which have gained extensive use in Western countries, such as Porter's five forces, value chain analysis, gap analysis, and strategic group analysis, were infrequently used in the current study sample.

Except for the following strategic planning tools, large-sized organizations reported significantly more use of planning tools and techniques as summarized in **Table 1**: SWOT analysis, HRM analysis, cost–benefit analysis, organizational culture, scenario construction, and strategic group analysis. As stated previously, part of the reason for larger firms' extensive use of strategic planning tools may be attributed to their resource strength. Most large organizations had in-house professional staff to pursue the application of diverse strategic planning tools and techniques. In addition, larger organizations were more likely to seek the help of outside consultants

to design and implement a broader set of strategic management tools.

Involvement in strategic planning

Table 2 presents comparative data on the extent of involvement of different personnel in the strategic planning process in SMEs and larger organizations. As can be seen, larger organizations made more extensive use of planning committees than SMEs in developing strategic plans. Larger organizations also more frequently sought the services of outside consultants than the SMEs did. Furthermore, the board of directors had significantly more involvement in the strategic planning of larger firms. The data did not reveal any significant difference between SMEs and larger organizations in terms of the involvement of top and middle management in strategic planning activities.

Table 2. Individuals and committees involved in strategic planning

Individuals and committees involved in strategic planning	All firms (N= 181)		SMEs (N= 91)		Large firms (N= 90)		t-Value	Sig. of t
	Mean	Rank	Mean	Rank	Mean	Rank		
Owner/manager, CEO, CFO, COO	5.64	1	5.71	2	5.58	1	0.85	0.398
Team of senior managers	4.67	2	4.63	3	4.69	2	0.15	0.882
Planning committee	4.64	3	4.27	1	4.96	3	2.64	0.020
External consultants	3.98	4	3.56	4	4.31	4	2.81	0.013
Middle managers	3.67	5	3.53	5	3.78	5	1.19	0.236
Board of directors	3.06	6	2.72	6	3.41	6	3.47	0.001

Note: The mean is an average of a 7-point scale with 'Rarely or not at all' (1) and 'Mostly or always' (7) end-points.

Nature of strategic planning: planned versus emergent strategies

As indicated by the results in **Table 3**, both SMEs and larger organizations pursued planned strategies which tend to involve a formalized process covering nearly all essential stages of the planning process, such as situation analysis, identification of goals and objectives, formulation and implementation of strategies, and monitoring of results. Emergent strategies were relatively more common among SMEs. Only a small proportion of companies investigated in this study did not pursue formal strategic planning.

Time horizon of strategic planning

Results relating to the time horizon of strategic planning of SMEs and larger organizations are summarized in **Table 4**. The SMEs mostly pursued strategies with time horizon less than five years. The larger companies, by

contrast, mostly employed long-term strategies covering a five-year time span or more than five years.

The differential time horizons of SMEs and larger firms may be attributed to the nature of their target market focus. SMEs largely pursue niche marketing (Kotler *et al.*, 2011), and a short time horizon is one option to keep track of changing customer needs and meet those needs with new products. Greater use of emergent strategies by SMEs, as observed in **Table 3**, allows them some degree of flexibility to modify their products to address customer needs in a timely manner. Larger firms, with their extensive operations and more complex marketing channels, tend to design strategies that need a fair amount of time to produce the desired results. However, since long-term strategies give a clear sense of direction, SMEs can certainly benefit from such strategies along with short-term strategies (Kotler *et al.*, 2011; Thompson *et al.*, 2012).

Table 3. Planned and emergent strategies

Planned and emergent strategies	All firms (N= 181)	SMEs (N= 91)	Large firms (N= 90)	t-Value	Sig. of t
	Mean	Mean	Mean		
Planned strategies	5.77	5.46	5.96	2.18	0.051
Emergent strategies	3.58	3.80	3.35	2.11	0.053
No formal strategic planning	1.77	1.79	1.74	0.35	0.721

Note: The mean is an average of a 7-point scale with 'Strongly disagree' (1) and 'Strongly agree' (7) end-points.

Table 4. Time horizon of strategic planning

Time horizon	All firms (N= 181)	SMEs (N= 91)	Large firms (N= 90)	t-Value	Sig. of t
	Mean	Mean	Mean		
Under 5 years	3.72	3.87	3.43	2.21	0.050
5 years	4.92	5.18	4.64	3.12	0.003
Over 5 years	5.48	5.05	5.90	4.75	0.002

Note: The mean is an average of a 7-point scale with 'Not a common practice' (1) and 'Most common practice' (7) end-points.

Views on strategic planning

Table 5 presents respondents' views on strategic planning. While both SMEs and large-sized organizations recognized the value of strategies, larger organizations accorded greater importance to formal strategic planning. Larger firms also considered strategic planning an effective way to achieve their objectives over the past five years. In three out of ten statements considered in **Table 5**, there was no

difference in the views of SMEs and larger organizations, namely: 'Formal strategic planning is/would be an effective way to achieve improved financial performance'; 'The making of strategy has been effective'; and 'The implementation of strategy has been effective'. The SMEs strongly agreed with the statement that the strategy adopted 'emerged' over time, while larger business organizations considered strategy as the result of a deliberate

Table 5. Views on strategic planning

Views on strategic planning	All firms (N= 181)		SMEs (N= 91)		Large firms (N= 90)		t-Value	Sig. of t
	Mean	Rank	Mean	Rank	Mean	Rank		
Strategic planning is seen as important	5.10	1	4.81	1	5.39	1	2.36	0.020
Strategic planning process achieves a good fit between the external environment and the internal capabilities of the organization	4.53	2	4.34	3	4.73	2	1.41	0.078
Formal strategic planning is/would be an effective way to achieve improved financial performance	4.47	3	4.40	2	4.53	3	0.46	0.453
Our strategic planning has been effective in achieving our objectives over the past 5 years	4.03	4	3.65	5	4.42	4	2.67	0.008
The strategy adopted is the result of a very deliberate process of formulation	3.87	5	3.67	4	4.07	5	1.91	0.053
The making of strategy has been effective	3.42	6	3.36	6	3.79	6	1.59	0.114
The implementation of strategy has been effective	3.12	7	3.21	8	3.64	7	1.54	0.379
Strategic planning has resulted in rigidity and inflexibility of response to the changing environment	3.12	8	2.91	9	3.34	8	1.97	0.051
The strategy adopted has 'emerged' over time without being the result of a deliberate plan	2.69	9	3.30	7	2.08	9	4.96	0.001
Strategic planning has encouraged excessive bureaucracy	2.55	10	2.11	10	3.01	10	4.39	0.001

Note: The mean is an average of a 7-point scale with 'Strongly disagree' (1) and 'Strongly agree' (7) end-points.

process of formulation. The larger organizations also found strategic planning to result in rigidity and inflexibility in their response to the changing environment, and to cause excessive bureaucracy.

This study also looked at the possible relationship between the use of strategic planning tools and techniques and respondents' views on the importance of strategy. **Table 6** presents the correlation analysis. Business organizations where respondents viewed strategy as important and a key mechanism to achieve a good fit between strategy and organizational resources were more likely to use a wide range of strategic planning tools and techniques. The overall relationship between the use of strategic planning tools and a positive perception of strategy was fairly

strong and consistent for both SMEs and the larger firms. Organizations where strategic planning was perceived as restrictive used a limited number of strategic planning tools. However, even the organizations that considered strategy restrictive frequently relied upon certain popular strategic tools such as SWOT analysis, financial analysis, HRM analysis, PEST analysis, and portfolio analysis as indicated by the direction of correlations, which are positive, though statistically insignificant.

Discussion and implications

The current study has offered a detailed comparison of SMEs and large-sized business organizations in the UAE

Table 6. Relationship (Pearson correlation) between views on strategic planning and use of strategic planning tools and techniques^{1,2}

Strategic planning tools	All firms (N= 181)		SMEs (N=91)		Large firms (N=90)	
	Strategy offers fit	Strategy is restrictive	Strategy offers fit	Strategy is restrictive	Strategy offers fit	Strategy is restrictive
SWOT analysis	0.28**	0.09	0.31**	0.11	0.36**	0.15
Financial analysis of your company	0.22*	0.13	0.28**	0.16	0.25*	0.13
HRM analysis	0.19*	-0.14	0.09	-0.13	0.23*	0.09
Cost-benefit analysis	0.27**	-0.17	0.30**	-0.18*	0.39**	0.11
PEST analysis	0.18*	-0.21*	0.17	0.12	0.33**	0.17
Mission statement review	0.14	0.09	0.22*	0.15	0.20*	0.12
Organizational culture analysis	0.16	0.05	0.28**	0.08	0.11	0.09
Core/distinctive competency analysis	0.21*	-0.15	0.27**	0.10	0.34**	-0.20*
Scenario analysis	0.22*	0.13	0.23*	0.07	0.27**	0.16
Portfolio analysis (BCG, GE)	0.19*	0.10	0.20*	0.09	0.20*	-0.19*
Value chain analysis	0.07	-0.19*	0.19*	-0.16	0.23*	0.05
Gap analysis	0.12	0.07	0.18*	-0.10	0.26**	-0.13
Porter's five forces analysis	0.13	-0.11	0.17	-0.07	0.21*	-0.19*
Benchmarking	0.21*	-0.09	0.26**	-0.14	0.26**	0.14
Product life cycle analysis	0.25*	-0.14	0.27**	0.11	0.22*	0.16
Key success factors	0.15	0.07	0.28**	-0.19*	0.12	-0.06
Stakeholder analysis	0.13	0.05	0.09	0.07	0.29**	-0.14
Financial analysis of competitors	0.12	-0.07	0.16	-0.03	0.12	-0.05
Experience curve analysis	0.11	-0.10	0.19*	-0.04	0.17	-0.03
Strategic group analysis	0.10	-0.06	0.16	0.08	0.15	0.06

¹A factor analysis of 'views on strategic planning,' as shown in Table 5, resulted in two major factors which are labeled 'strategy offers fit' and 'strategy is restrictive' in this table. The factor 'strategy is restrictive' comprised the following two items: 'Strategic planning has resulted in rigidity and inflexibility of response to the changing environment' and 'Strategic planning has encouraged excessive bureaucracy.' The remaining eight items (re. Table 5) constituted the second factor, referred to as 'strategy offers fit' in this table.

²Statistical significance of Pearson correlations: ** correlations significant at 0.001 or 0.01 level of significance; * correlations significant at 0.05 level of significance.

context with special attention paid to the usage of strategic planning tools, the nature of strategic planning, the time horizon of planning, and the attitude toward strategic planning. The data lends fairly consistent support to the findings of the existing research by showing that SMEs tend to use a limited number of strategic planning tools, practice emergent strategies, and mostly pursue short-term strategies (Stonehouse and Pemberton, 2002; Wang *et al.*, 2007). Although the UAE has introduced numerous financial assistance programs to encourage entrepreneurship, SMEs continue to be constrained by resources which are considered critical to the development of the organizational capabilities needed to design and implement effective strategies to sustain competitive advantage (Barney, 1991; Grant, 1991; Williams, 2011).

With respect to the usage of strategic planning tools and techniques, SWOT analysis occurred as the most popular technique that both SMEs and larger firms used extensively in the current investigation. The next most frequently used technique was internal financial analysis, although it was somewhat more common among larger organizations. The other popular techniques included HRM, cost–benefit analysis, and PEST analysis. Greater use of these techniques was expected, as they offer balanced information on a firm's external and internal environments to allow a better assessment of opportunities and resource infrastructure (Wheelen and Hunger, 2012). In the intensely competitive environment surrounding most businesses in the UAE, most companies seem to look for strategic planning tools and techniques that are easy to implement and offer meaningful insights into their internal strengths and weaknesses, as well as the opportunities and threats they face.

Articulation of the mission statement for planning purposes was more common among the larger organizations than the SMEs, which may be expected, as larger organizations are more likely to develop and put in writing their mission statements (Henry, 2011; Hill and Jones, 2012). While the SMEs paid relatively more active attention to HRM planning and analysis of organizational

culture than the larger organizations, the use of core and distinctive competencies, which is regarded as a vital factor in competitive advantage (Prahalad and Hamel, 1990), was comparable between them. A large number of planning tools and techniques, which are fairly common among developed countries, received somewhat low ranking in the present study suggesting their infrequent usage in the UAE. The bottom ten of the twenty tools and techniques considered in **Table 1** were infrequently used in this study, as indicated by their low mean values. Several SMEs apparently did not use some of the strategic planning tools and techniques because of their lack of knowledge or awareness of these tools.

The ranking revealed by the present study shares some similarities and differences with the findings of other studies conducted in the Middle East. For instance, SWOT analysis was the second most common tool after financial analysis in Aldehayyat *et al.*'s (2011) study of Jordanian hotels and the third most frequently used tool in Elbanna's (2007) study of Egyptian companies, while it occupies first rank in the present study. The use of internal financial analysis, which occurred in first rank in both these studies (i.e., Elbanna, 2007; Aldehayyat *et al.*, 2011), was the second most widely used tool in the present study. Porter's five forces, which ranked third as most common planning tool used in Aldehayyat and Anchor's (2008) study, received a rank of 13 as most frequently used tool among the 20 strategic tools investigated in the present study. In Elbanna's (2007) study, Porter's five forces analysis with a rank of 21 was close to the bottom of the list of 24 strategic tools that Elbanna investigated.

Such differences in the usage of strategic planning tools are understandable, as each country has its own unique corporate culture and business firms face different strategic planning needs and requirements. It is perhaps important to note that, in most Middle Eastern countries, the overall use of strategic management tools is gradually increasing. Companies are showing a growing awareness of the importance of strategic planning tools and techniques, and are beginning to use some relatively

easy-to-use techniques such as SWOT analysis, PEST analysis, financial analysis, and analysis of core competencies. As more and more organizations recognize the strategic importance of planning tools and techniques, their usage is expected to increase. With better training and professional development programs, companies can expose employees to new developments in strategic management theory and practice. This will certainly broaden the knowledge of individuals involved in strategic planning, which should in turn increase the usage of strategic planning tools and techniques (Elbanna, 2007; Aldehayyat and Anchor, 2008).

It is significant to note that most respondents in this study held very positive views about strategic planning and the use of strategies to achieve organizational objectives. Strategic planning was seen as important, and a key technique to achieve a fit between a company's internal strengths and external opportunities. While some business organizations, especially larger ones, thought strategic planning tended to result in greater rigidity and bureaucracy, they generally believed that strategic planning must be pursued in order to achieve and sustain competitive advantage. The overall positive attitude toward strategic planning tools and technique suggests that their use is likely to increase in the UAE. The present study explored the relationship between the usage of strategic tools and views about strategic planning and discovered a positive correlation. This reinforces the general thinking that business organizations with a positive perception of the importance of strategic planning are likely to make extensive use of strategic planning tools and techniques (Dincer *et al.*, 2006).

While the current investigation did not examine the relationship between the usage of strategic tools and techniques and organizational performance, a body of previous research has documented that companies pursuing strategic planning outperform their counterparts where strategic planning is not systematically pursued (Miller and Cardinal, 1994; Snyman and Drew, 2003; Kee-Luen *et al.*, 2013). The potential performance impact of

strategic tools may further encourage their use in the UAE and other emerging markets.

SMEs need to adopt a proactive approach to design and implement strategies to effectively compete with larger organizations. In general, most strategies pursued by SMEs are short-term in nature, which may be due to their greater focus on emergent strategies. While emergent strategies are effective at forming a timely response to customer needs, long-term strategies provide a clear sense of direction and lead to better performance outcomes. SMEs may consider targeting such outcomes with more systematic planning of their organizational objectives and action strategies.

Future research directions

This study represents an initial attempt to offer comparative data on the usage of strategic planning tools by SMEs and large-sized business organizations in the UAE context, and is expected to stimulate further research in the UAE and Gulf Cooperation Council (GCC) region. It may be extended to important areas such as strategy commitment, implementation challenges, and organizational performance.

Future research may rectify the limitations of the present analysis: having a small sample and relying exclusively on survey data. The use of larger samples may generate findings with a broader scope. An alternative option to consider is using a case study approach to acquire more in-depth data on a small number of organizations in order to develop a deeper insight into their strategic planning and usage of strategic planning tools and techniques (Yin, 1989).

In view of several new economic development initiatives in the UAE and other GCC countries, a more rapid growth in the SME sector is anticipated over the next decade (Emine, 2012; UAE Ministry of Economy, 2012; Diao, 2014; Everington, 2014; Gutter, 2014). The forthcoming Expo 2020 is expected to attract significant investments from around the globe as well as from within the Middle Eastern region into the UAE, and this may

make the UAE's business environment more competitive and volatile. It would be important to monitor the use of strategic management tools and techniques by domestic and foreign firms. Comparative studies of the use of strategic planning tools among service and manufacturing firms could shed valuable light on the nature and scope of their planning activities.

The business environment of the UAE and other GCC countries has become intensely competitive over the past decade with the influx of foreign multinationals. Given the largely positive impact of strategic planning on firm performance, a more proactive use of strategic planning tools and techniques is expected by both SMEs and larger organizations. It will be of both academic and practical interest to see what strategic planning tools and techniques gain recognition and increased usage in the UAE and other emerging economies in the coming years.

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BIOGRAPHICAL NOTE

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