A Study on Strategic Planning Practices in Companies based in Bahrain

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Abstract

Poor strategic management of business has often been cited as a major cause of business failure. It has often been suggested that the adoption of strategic planning by firms today is not an option but a necessity given the volatile business environment. Empirical analysis shows that strategic planning can enhance a firm’s survival and growth chances and contribute towards organizational effectiveness and performance. Even though there are several published research studies on strategic planning practices; most of these are in the context of American and European markets. Except for a few isolated studies from UAE, Jordan, KSA and Egypt; very little is known on the nature and extent of strategic planning in the GCC countries and specifically from the Kingdom of Bahrain. This study contributes to filling this gap found in the literature by reporting the results of a survey on strategic planning practices in companies based in the Kingdom of Bahrain.

Key Words: Strategic planning, Strategy, Bahrain, Practices

JEL Classification: L 21, L 25, M 10
1. Introduction

Poor strategic management of business has often been cited as a major cause of business failure (ASIC, n.d). It has often been suggested that the adoption of strategic planning by firms today is not an option but a necessity given the volatile business environment (Al Ghamdi, 2005). Empirical analysis shows that strategic planning can enhance a firm's survival and growth chances (Ghobadian et al. 2008; Stewart, 2004; Veskaisri et al. 2007) and contribute towards organizational effectiveness (Sukley & Debarliev, 2012) and performance (Glaister et al. 2008; Schwenk & Shrader, 1993; Miller & Cardinal, 1994; Al-Shammari & Hussein, 2007).

Strategic planning as a concept emerged during the 1960s and since then has developed into a distinct discipline within strategic management. (Guerras et.al, 2013). Although there is no universally accepted definition of strategic planning, the definition given by Bryson (1995) seems appropriate for the purpose of this study: “Strategic planning is a disciplined effort to produce fundamental decisions and actions to shape and guide what an organization is, what it does, and why it does it “.

According to Reagan and Ghobadian (2002), strategic planning could be understood from a content or a process perspective. The content perspective relates to the distinctive elements of a strategic plan in espousing issues unique to firms whereas the process perspective relates to the mechanisms involved in the development and deployment of the strategic plan.

About the Kingdom of Bahrain

The Kingdom of Bahrain, an island in the western shores of the Arabian Gulf has one of the most diversified economy in the MENA region. Bahrain is classified as a “high income” economy with a GNI per capita of US$ 21,150 and a population of 1.49 million (World Bank, 2017). Today, Bahrain is ranked 50th in the 2018 Global Competitiveness Index rankings and 62nd in the World Bank’s “Ease of Doing Business” rankings. (World Bank, 2018). A recent KPMG study on the cost of Doing Business in the GCC in the ICT sector found that Bahrain has the most liberalized and competitive IT sector in the GCC region (EDB, 2018).

2. Literature Review

The following section provides a gist of previous empirical studies on strategic planning practices in Bahrain and the MENA Region:

Attahir & Saffu (2009) investigated planning practices, strategy types, and the performance of indigenous firms in Bahrain and United Arab Emirates (UAE). Their study found that strategic planning process was not firmly established in most of the Bahraini and Emirati firms.

Elbanna (2008) investigated the nature of relationship between strategic planning practice, management participation and strategic planning effectiveness. Regression analysis established that strategic planning practices and management participation jointly enhance the effectiveness of strategic planning.
Al-Shammari & Hussein (2007) investigated the relationship between strategic planning and firm performance based on data collected from 28 Jordanian manufacturing organizations. Findings suggested that firms engaging in strategic planning have better financial and behavioural performance than firms who weren’t engaging in strategic planning.

Elbanna (2010) undertook a study to report on the nature and practice of strategic planning among small and large public and private sector organizations in the UAE. The study found few statistically significant differences among the strategic planning practices among the sampled organizations.

Aldehayyat et al (2011) examined the use of strategic planning tools by hotels in Jordan and the nature of its relationship with managers’ views of the strategic planning process. A positive relationship was observed between the use of strategic planning techniques and size of hotel. Further, the use of strategic planning tools and techniques was found to relate more to the size of hotel and less to age and ownership type. The hotel managers generally had a positive attitude towards the strategic planning process.

Al Ghamdi (2005) studied the use of strategic planning tools in Saudi Arabia. Findings indicated that the most widely used techniques were analysis of critical success factors, benchmarking and what-if analysis. SWOT, PLC and stakeholder analysis were used in moderation while PIMS, experience curve, portfolio analysis and value chain analysis were used in a limited way. Porter’s five forces and delphi were found to be the least used tools and techniques.

Glaister et al, 2009 compared strategic planning practices among UK and Turkish firms and found that Turkish firms are more favourably disposed to strategic planning than UK firms with the exception being the employment of strategic planning tools, which were more common among UK firms.

Dincer et al (2006) investigated the nature and practice of strategic planning of large companies based in Turkey. Findings indicate a very favourable attitude towards strategic planning among Turkish firms. A comparison between foreign-owned firms and local firms indicated that foreign-owned firms were more likely to adopt a broader repertoire of tools and techniques of strategic planning than local firms and tended to believe that the strategy making is a deliberate process.

In conclusion, except for a few isolated studies from UAE (Elbanna, 2010; Attahir & Saffu, 2009), Jordan (Aldehayyat & Al-Khattab, 2011; Al-Shammari & Hussein, 2008), KSA (Al Ghamdi, 2005), Egypt (Elbanna, 2007) and Turkey (Glaister et al, 2009; Dincer et al, 2006) very little is known on the nature and extent of strategic planning in the Arab world and specifically from the Kingdom of Bahrain. In light of the above review, this study contributes towards the build-up of the nascent research literature in this area.
3. Methodology

3.1 Research Questions

The main purpose of this study is to understand the nature and extent of strategic planning practices in Bahraini companies. The following are the research questions this study seeks to answer:

i. How formal is the strategic planning process in Bahraini companies?
ii. How is strategic planning perceived by Bahraini companies?
iii. What are the strategic planning tools/techniques in use?
iv. What are the frequently encountered challenges in the planning process?

3.2 Research Approach, Data Collection and Plan of Analysis

An exploratory research design using a mixed methods approach was employed in this study due to paucity of primary information in research literature. Based on the suggestion by Creswell (2014) that studies aimed at exploring in detail a central phenomenon could benefit from purposive sampling strategies, this study used purposive sampling procedure, through which ten companies listed on the Bahrain Bourse were shortlisted and contacted (the total number of listed companies on Bahrain Bourse is forty-four, which includes two closed companies and one non-Bahraini company).

Given the nature of data requirements, in-depth interview was considered an ideal method for data collection. A semi-structured interview schedule, which had a mix of open and closed-ended questions was compiled and used to direct the in-depth interview. Data collection was facilitated through the involvement of senior business students studying a course on strategic management. Target respondents included personnel from the senior management group involved in strategy planning and formulation. The study made use of descriptive data analysis and content analysis to quantify, analyse and summarize the study findings. Previous research literature and relevant secondary information were accessed using ProQuest and internet

4. Results and Discussion

4.1 Profile of Respondents

Of the 10 surveyed companies, 80 percent operated in the services sector (banking & insurance: 30 percent, communication: 20 percent, trading: 20 percent, hospitality and leisure: 10 percent) and the remaining in manufacturing. 50 percent of the surveyed companies had an employee base of more than 350, while the rest between 151 to 350 (30 percent between 251 to 350 and 20 percent between 151 to 250). 70 percent of the surveyed companies had an annual turnover of over 25 million BHD, while 30 percent reported a turnover less than 25 million BHD. All the surveyed companies have been in existence for more than 10 years in Bahrain.
Individuals who responded on behalf of their companies ranged from members of the Board of Directors (10 percent) to members of the senior management group (90 percent), with positions of CMO, General Manager, Product Manager and HR head; lending richness and credibility to the study findings.

4.2 Results in Relation to the Research Questions

The following section summarizes the findings of the study in relation to each research question:

4.2.1 How Formal is the Strategic Planning Process in Bahraini Companies?

a. All of the surveyed companies claim to have a written strategic plan. Asked for a copy of the strategic plan, most (80 percent) of the companies were reluctant to part with a copy of their strategic plan citing confidentiality as a reason. To an allied question, as to how many pages their strategic plan runs to; respondents mentioned a number ranging from 16 pages to 40 pages (median is 25 pages).

b. To the question as to how long it took for the respondents to develop the strategic plan; 70 percent claimed to have compiled their strategic plan between 1 to 4 months while for 20 percent, it took between 5 to 8 months. Only one responding company mentioned that it took them between 9 to 12 months in developing their strategic plan.

c. To the questions as to whether there was a person or a group to coordinate the strategic planning effort within their organization, 60 percent of the respondents indicated there was a constituted group whose prime responsibility is to coordinate organization-wide strategic planning efforts; with one respondent claiming to have an exclusive department to oversee strategic planning. 40 percent of respondents mentioned the use of ‘ad-hoc’ committees to manage strategic planning efforts. This finding is more or less similar to other research findings (Glaister et.al, 2008)

d. Asked to describe the involvement of the various groups of individuals in the strategic planning process; most (90 percent) of the respondents identified the active (to a great extent) involvement of the Board, CEO, Planning committee and senior managers. The involvement of external consultants in strategic planning was indicated by 70 percent of the respondents, with 30 percent of them involving them to a great extent. Surprisingly, 30 percent indicated ‘very little’ involvement from middle/lower management.

e. To the question as to whether their organization has developed a vision or a mission statement; all organizations answered in the affirmative that they have both a vision and a mission statement. To a related question on whether there exists a policy on regular updation of these statements; response varied with 70 percent of the respondents stating that they have a policy of reviewing the mission statement (ranged between 3 to 5 years) and the remaining were of the view that vision and mission were recently developed and updating is need-based.
f. To a question on whether their organizations had established long, medium and short-term objectives; 60 percent of respondents stated they have established long, medium and short-term objectives whereas, the remaining 40 percent stated they have established only long and short-term objectives.

4.2.2 How is Strategic Planning Perceived by Bahraini Companies?

a. Based on the approach outlined by Price et.al 2003, respondents were asked to identify the top 3 principle aim of the strategic planning process from a list of 6 aims. 40 percent ranked ‘clarifying organization goals and policy’ as the first principal aim, followed by ‘assuring unified action among employees’ (30 percent) and ‘better allocation of resources’ (30 percent). Improving/ensuring profit, producing strategic plan and improving business growth and organizational performance were mentioned by 20 percent, 10 percent and 10 percent of the respondents.

b. Perceived benefits of strategic planning - A related question on how respondents perceive the role of strategic planning within their organization was asked in terms of a series of eight statements (Glaister and Falshaw 1999; Elbanna 2007 & 2010). Of the eight statements, six were worded positively and the remaining negatively. The statement ‘strategic planning has supported our organization in the development of a shared vision and purpose for the organization’ received the highest mean score of 3.7, with a standard deviation of 0.48; followed by ‘strategic planning has helped our organization in better allocation of resources’ (mean=3.5, sd=0.53) and ‘strategic planning has assisted in development of a good fit between the external environment and the internal capabilities of our organization (mean=3.4, sd=0.70); thus reiterating and confirming the earlier question on identification of top 3 principle aims of the strategic planning process. The two negative statements ‘strategic planning has increased bureaucracy in our organization’ and ‘strategic planning has discouraged initiative and creativity in our organization’; received the lowest ratings (mean of 1.9 and 1.7 respectively), confirming disagreement with the statements.

4.2.3 What are the Strategic Planning Tools/Techniques in use?

a. To a question on how respondents find the utility of SWOT analysis to the strategic planning efforts; 70 percent of respondents stated that it is ‘very important’, while the rest (30 percent) mentioned it is ‘important’.

b. Empirical studies (Elbanna, 2008) have regarded usage of strategic planning tools as an important indicator of the extent of formalization of the strategic planning process in organizations. To the question of extent to which organizations made use of strategic planning tools; respondents were asked to rate on a scale of 1 (not at all) to 4 (to a great extent), the extent to which their organization uses the listed strategic planning tools and techniques. The responses suggested that the most widely used tool was ‘risk / business
financial analysis’ (4.00), followed by Cost-benefit analysis (3.9), SWOT analysis (3.7) and Project management (3.6). Tools like Balanced scorecard (s.d=0.94), Value chain analysis (0.88), Employee engagement surveys (0.94), Outsourcing (1.32), SCM (1.25), Change management (1.07) and PIMS analysis (1.25); were not as widely used across all organizations. This finding to some extent reverses and supports the observation of previous studies (Al Ghamdi, 2005; Price et.al 2003, Glaister et.al, 2008) on the extent of strategic planning tools usage in Middle Eastern organizations.

4.2.4 What are the Frequently Encountered Challenges in the Planning Process?

To an open question as to what they consider the most frequently experienced challenge in the strategy formulation process, 90 percent of respondents’ suggested that ‘dynamic / complex business environment’ complicates the strategy formulation process, followed by 70 percent identifying ‘lack of access to accurate market data / market analysis’ as an important challenge. Other less cited challenges include ‘generating alternative / competitive strategies (40 percent)’, ‘balancing corporate and business strategy / misunderstanding on long-term objectives (30 percent)’, ‘bureaucratic / hierarchical structure within the organization (30 percent)’, ‘lack of key planning skills (30 percent)’ and ‘balancing risk and innovation (20 percent)’.

5. Conclusions and Recommendations

In conclusion it can be said that the strategic planning within Bahraini companies is fairly formal and well documented. Strategic planning process seems to be firmly well established at least among Bahraini corporates. Further, findings suggest that Bahraini companies have a positive disposition towards strategic planning process and employment of strategic tools and techniques with an awareness of critical challenges faced in its formulation.

This study was limited to exploring strategic planning practices among organizations listed on Bahrain bourse which limits the generalization of findings across the broad spectrum of Bahraini enterprises, especially the small and medium enterprises, which constitute 98 percent of all enterprises in Bahrain. Future studies need to examine and compare strategic planning practices among micro, small, medium and large enterprises.

References


