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**ORGANISATIONAL CHARACTERISTICS AND STRATEGIC PLANNING IN AN  
EMERGING ECONOMY: THE CASE OF JORDAN**

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# **ORGANISATIONAL CHARACTERISTICS AND STRATEGIC PLANNING IN AN EMERGING ECONOMY: THE CASE OF JORDAN**

## Abstract

This is the first study to examine the relationship between organisational characteristics and the practice of strategic planning in Jordan. Organisational size, age and sector are all factors which have been found to influence the adoption and practice of strategic planning in developed economies. Three hypotheses are generated concerning the relationship between these variables and the extent of the practice of strategic planning in Jordanian publicly quoted companies.

The population of the research is 203 companies registered on the Amman Stock Exchange. These companies contributed more than 75% of Jordan's GDP. The companies were located in the financial, industrial and service sectors. A questionnaire survey of these companies yielded a 41 per cent response rate.

The results of the survey provide a rich source of data in relation to the practice of strategic planning in Jordanian publicly quoted companies. Key findings are that company size is a significant influence on the practice of strategic planning in Jordan, but that age is less influential. There were small differences between the three sectors regarding the practice of strategic planning.

The study provides empirical evidence about some important areas of strategic planning practice in Jordan including: the nature of the involvement of top and line management in planning activities;

the time horizon for planning; the use of environmental scanning (internal and external); commitment to strategic activities and the use of strategic tools and techniques.

The results indicate that there are considerable similarities between strategic planning practice in Jordan and those which have been found in earlier studies in developed economies. This is likely to be because there are few barriers to the dissemination of the knowledge elements of strategic planning practice.

The research findings lead to a number of recommendations for Jordanian companies. These include the need to pay greater attention to outside resources and the scanning of internal strategic factors in the strategic planning process and, most importantly of all, the need to pay more attention to the involvement of line managers in the strategic planning process, especially in relation to the choice of a strategic proposal.

**Keywords:** strategic planning; organisational characteristics; Jordan; publicly quoted companies

## **1. Introduction**

In the strategic management field, replication and extension research is much needed, especially in leading journals<sup>1</sup>. For example, research is needed to test the extent to which the results of studies of strategic planning practice in developed economies are replicated in emerging markets.

Unfortunately, however, academic research on strategic planning in leading journals has slowed to a trickle during the last fifteen years in spite of the fact that it is a pervasive and influential phenomenon in the business world<sup>2</sup>. Moreover very little has been written at any time in leading journals about strategic planning in emerging markets in general or in the Middle East in particular. This is an important gap since the influence of the national and regional context on strategic decision making is of great importance<sup>3</sup>.

This is the first study to examine the relationship between strategic planning<sup>4</sup> and organisational characteristics in Jordan. A detailed investigation of the context and content of strategic planning in Jordan could add considerable value to Jordanian companies, as well as having wider applicability in the Middle East and possibly in other emerging markets. The study of, and proposals to improve, business practices in the Middle East is of importance given the potential economic and political significance of that region.

## **2. Literature Review**

As emerging economies evolve, institutional structures move from relationship based personal exchanges to those which are rule – based and impersonal with third party enforcement. Therefore a fundamental difference between emerging and developed market economies is the existence in the latter of market supporting formal institutions. These differences in institutional context between developed and emerging economies mean that strategic planning practice may be different in an

emerging market context to that which may be found in a developed market economy. This is not an exact dichotomy however and a particular economy may display both emerging and developed market characteristics. Moreover emerging markets are themselves not homogeneous and may display a variety of institutional contexts<sup>5</sup>.

Jordan is a small (population 6 million), landlocked, country with few natural resources. It also depends on external sources for the majority of its energy requirements, unlike some of its neighbours. The country is potentially highly vulnerable to external shocks, given its size and natural resource endowment. Natural resource limitations are also a significant constraint upon business activity. Partly as a consequence of this, Jordanian firms tend to operate mainly in Middle Eastern markets. Privatisation programmes in the last twenty years have provided opportunities for increased foreign direct investment in Jordan. This has also provided opportunities for the diffusion of ideas and management practices from developed economies; a trend enhanced by the geo political alignment of the country's government<sup>6</sup>.

Little is known about the practice of strategic planning in Jordan. In fact only one empirical study has been conducted which sheds some light on strategic planning in Jordanian companies<sup>7</sup>. This study attempted to explore the meaning of strategic planning for Jordanian managers, their attitude towards strategic planning and the main components of their strategic plans. It was found that strategic planning was not a new phenomenon in Jordanian companies; 59% of Jordanian companies' managers were aware of the meaning of strategic planning; 65% of companies had a written plan; and managers of Jordanian companies had a positive attitude towards strategic planning. However, this study is not sufficient to provide a clear picture about the extent of the practice of strategic planning in Jordanian companies and the influences on it.

The literature on strategic planning, in both developed and emerging economies, indicates that organisational characteristics influence the degree to which companies involve themselves in strategic planning<sup>8</sup>. The following discussion will focus on three of the most important of these characteristics (size and age of company and the nature of the business).

Perhaps the most frequently-studied context variable in contingency research is organizational size. Size is associated closely with formalisation, and is a strong predictor of reliance on paperwork and the use of formal procedures. Larger organizations adopt more formal procedures - including formal strategic planning – in order to improve control, since increased size also brings greater organisational complexity and carries with it a need for coordination via formalisation, standardisation and control<sup>9</sup>.

Small firms, on other hand, tend to forgo formal strategic planning because their environments are comprehensible and their internal operations manageable by a single person or small team, without the need for systematic formal scanning, extensive internal analysis, or detailed, written long-range plans. In fact strategic planning may actually harm small firms by diverting human and financial resources into an unnecessarily extensive planning process, and by exerting excessive formal control. For these reasons it was hypothesised that the adoption of formal strategic planning methods is positively associated with firm size, and subsequent empirical studies have generally supported this hypothesis<sup>10</sup>. Nevertheless an increasing number of small businesses have adopted formalised strategic planning because of its perceived benefits<sup>11</sup>.

The likelihood of a company adopting strategic planning practices may depend on its age. Well established companies are more likely to be aware of strategic planning and its practices than their younger counterparts. However newer companies may feel that they have a particular need for strategic planning if they are to grow and develop. Nevertheless, relatively little is known about the

effect of a company's age on the adoption of strategic planning in spite of the fact that it was identified in the 1980s that the inclusion of firm age in future research studies could provide valuable insight into its mediating effects on firms' strategic planning practices<sup>12</sup>.

Industry is another important contingency variable. Some industries consistently produce higher returns on invested capital than others, for reasons that have been extensively examined by industrial organisation economists and strategy researchers. The industry context, especially its current structure and historical evolution, has been found to impact differentially on strategic planning.<sup>13</sup>

### **3. Hypotheses, Data and Methods**

The literature reviewed in the previous section indicates some of the possible effects of organisational characteristics on the practice of strategic planning. The proposition of this research is that the practice of strategic planning in Jordanian companies is related to three organisational characteristics (size and age of company and nature of business). In this section the way in which this proposition has been investigated will be described.

The practice of strategic planning is defined as a composite including a discussion of: the purpose of strategic planning; the approach to planning; involvement and participation in strategic planning; the contents of the strategic plan; commitment to strategic planning activities; the time horizon of planning and the updating of the strategic plan; environmental scanning; top and line management involvement in strategic planning; and the use of strategic planning tools and techniques<sup>14</sup>.



The discussion in the previous section suggests that strategic planning is more common in large companies because they have the greatest financial and human capability. As a consequence, the following hypothesis was tested:

**Hypothesis 1: size of company has a positive relationship with the practice of strategic planning in Jordanian companies.**

The number of employees can be used as a proxy for company size.

The discussion in the previous section suggests that the ability of a company to adopt strategic planning will depend on its age. Therefore the following hypothesis was tested:

**Hypothesis 2: age of company has a positive relationship with the adoption of strategic planning in Jordanian companies.**

Its establishment date can be used as a proxy for company age.

The discussion in the previous section suggests that different industries will have different needs for strategic planning. Therefore the following hypothesis was tested:

**Hypothesis 3: the three sectors of business (financial, industrial and service) in Jordanian companies differ in their practice of strategic planning.**

The population of the research was all 203 organisations registered on the Amman Stock Exchange (ASE), according to its guide of Jordanian shareholding (publicly quoted) companies. The rationale for choosing the companies listed by the ASE were that these companies contributed over 75% of Jordan's GDP and also the absence of a database for the companies that were not classified in this market. The sector categorisation, according to the ASE, was: 52 financial companies (banks, financial and insurance companies); 64 service companies; and 87 industrial companies. This study follows the same categorisation as that adopted by the ASE. The data collection instrument was sent to the whole population in view of its size<sup>15</sup>.

203 questionnaires were distributed to the population of 203 companies and 83 valid responses were received – the response rate was, therefore, 40.9%, which is considered a good rate compared to other similar studies<sup>16</sup>. There was no statistical difference between respondents and non-respondents with respect to company size ( $\chi^2 = .491$ ,  $df = 2$ ,  $p = .782$ ), company age ( $\chi^2 = 3.282$ ,  $df = 2$ ,  $p = .194$ ) and industry type ( $\chi^2 = 3.489$ ,  $df = 2$ ,  $p = .175$ ). The sample thus is representative of population and the findings can be generalised to the entire population.

The characteristics of the responding managers were classified into five dimensions: age, gender, education level, experience in current position and total working experience. 44.5 % of the 83 respondents were under 40 years of age and all the respondents were male<sup>17</sup>. 79.6 % of respondents had a Bachelor's degree or above. 91.6% of respondents had a total experience of more than ten years in their current position. Just 14.4% of the respondents had less than five years' experience (Table 1).

'Insert Table 1 here'

61.4% of the respondents and 57.1% of the whole population represented the service and financial sectors. 38.6% of respondents and 42.8% of the whole population were in the industrial sector. 73.5% of responding companies had been established after 1975.<sup>18</sup> 60.2% of the responding companies and 71% of the whole population had less than 200 employees. Company size is influenced by the fact that Jordan is a small country with a population of 6 million (Table 2).

'Insert Table 2 here'

#### **4. Analysis**

The analysis of the results regarding the practice of strategic planning in Jordanian companies was undertaken by examining the dimensions identified at the beginning of section 3. These include the purpose of strategic planning; the approach to planning; involvement and participation in strategic

planning; the content of the strategic plan; commitment to strategic planning activities; the time horizon of planning and the updating of the strategic plan; environmental scanning; top and line management involvement in strategic planning; and the use of strategic planning tools and techniques.

#### **4.1 Purpose of Strategic Planning**

Respondents were asked, on a scale from 1= not important at all to 5= extremely important, to indicate how they saw the importance of a number of potential purposes of strategic planning.

‘Insert Table 3 here’

The most important contribution to strategic planning is clarifying the goals and policy of the company, then coordination of individual projects, followed by guiding company operations and examining the problems of the company. However, there is relatively little difference in the contribution of the various purposes (Table 3).

The relationship between size and the contribution of strategic planning to its purposes is positive and significant in the case of four purposes: namely, guiding company operations, examining the problems of the company, assuring unified opinion among top executives and ensuring better allocation of resources; on the other hand, there is no significant relationship between the age of the company and the contribution of strategic planning to its purposes (Table 4). No significant statistical differences are identified between the three sectors (industrial, service, financial) for any of the eight purposes.

‘Insert Table 4 here’

These results are consistent with previous studies which demonstrate that strategic planning provides a means for allocating resources in complex multi-product organisations<sup>19</sup>. However, the age of the company and the nature of the business do not affect the contribution of strategic planning to its purposes in Jordan. Jordanian companies therefore believe in the contribution of

strategic planning to its purposes regardless of the size of the company, the age of the company and the nature of the business, although strategic planning is more developed in larger companies.

#### **4.2 Strategic Planning approach**

Respondents were asked, on a scale from 1= no formal planning takes place to 7= highly structured plans that are rarely amended, to indicate the strategic planning approach which is adopted by their companies.

4.8% of responding companies had no formal planning, whereas 61.4% of companies adopted a highly structured planning approach. The majority of the latter companies made amendments either occasionally or frequently. 33.7% of the responding companies adopted general policies without making a detailed strategic plan with 20.4% making amendments either occasionally or frequently (Table 5).

‘Insert Table 5 here’

The relationship between size and the strategic planning approach is statistically significant. That is to say, larger companies tend to adopt a more formal approach to planning while smaller companies adopt a more general policy. There is also a significant relationship between the age of the company and the planning approach which it adopts (Table 6). This indicates that older companies adopt highly structured plans while newer companies tend to adopt a more general approach. This result could be explained by the greater experience of older companies in the strategic planning process and/or by the greater “institutionalisation” of the older companies. No significant statistical differences are found between the three sectors in terms of the approach to strategic planning<sup>20</sup>.

‘Insert Table 6 here’

### **4.3 People involved in strategic planning**

69.1% of responding companies indicated that the most important people involved in the strategic planning process are general managers and line managers, followed by the board of directors (32.5%). The least involvement in the strategic planning process was by line managers alone (8.4%), outside consultants (22.9%) and the planning department (22.9%) (Table 7).

‘Insert Table 7 here’

General managers are most likely to be involved in the smaller companies and general managers and line managers in the larger companies (Table 8). No relationship is found between company age and the identity of the people involved in strategic planning. There are statistically significant differences in the involvement of the general manager in strategic planning in terms of business sector, with more involvement by the general manager in industrial sector companies than in the financial sector, followed by the service sector (Table 9).

‘Insert Table 8 here’

‘Insert Table 9 here’

These results are consistent with previous studies, which indicate that the involvement of the general manager in the strategic planning process is important in smaller companies, while the involvement of line managers is more important in larger companies. In both large and small companies, board participation in strategic planning is less important than that of senior managers. The greater involvement by general managers in industrial sector companies than in the financial sector, followed by the service sector could be due to a size effect; since the industrial companies are larger than the sample average<sup>21</sup>.

The least participation and involvement in the strategic planning process is by outside consultants. Previous studies have emphasised the value of involving outside resources (e.g. consultants, bankers and accountants) in the development of strategic plans. The outside resource can encourage

the group to stay on task, avoiding the unnecessary exploration of peripheral issues; and it can play an objective role in commenting on issues that are sensitive to the strategic planning participants<sup>22</sup>.

#### **4.4 Contents of strategic plan**

84.3% of companies have business level objectives and 72.3% have a mission statement. 69.9% of companies have staff training, 66.3% have staff development and 65.1% have staff appraisal (Table 10).

‘Insert Table 10 here’

There is no significant relationship between company size and each of the 11 elements of a potential strategic plan. Similarly there is no significant relationship between company age and the 11 elements.

One small difference was identified between the three sectors: a profit target was used more in industrial companies’ strategic plans than in those of the financial companies, which in turn was used more than in service companies (Table 11). Financial companies (such as banks and insurance companies) and service companies (such as communication companies), which have direct contact with customers, may prefer to focus on employee training and social responsibility issues in their strategic plan<sup>23</sup>.

‘Insert Table 11 here’

#### **4.5 Commitment to strategic planning activities**

The respondents were asked, on a scale rating from 1= no commitment to 5= full commitment, to indicate their degree of commitment to seven strategic planning activities. There is a very small difference in the mean between these activities which indicates that the companies have broadly the same commitment to formulation, implementation, and evaluation aspects of strategic planning (Table 12).

‘Insert Table 12 here’

There is no relationship between the size or the age of companies and their commitment to strategic planning activities. There is also no difference between the three business sectors in the level of their commitment to strategic planning activities<sup>24</sup>.

#### **4.6 Time horizon for strategic planning and the updating of the strategic plan**

63.3% of responding companies had time horizons for strategic planning of three years or less, 25.5% of between four and five years and 10.9% of between six and ten years. The mean for the planning horizon for these companies was 3.3 years. 3.6% do not update their plans at all. 96.4% of companies do update their plans: 32.9% of companies update their strategic plans twice a year and 23.1% when they need to be updated.

‘Insert Table 13 here’

Larger companies have a longer time horizon for planning (Table 14). This finding is consistent with previous literature which indicates that the planning horizon depends largely on company size and that large companies are more likely to have longer planning horizons. On the other hand, the age of the company does not affect the time horizon for planning in these companies. No difference was found between the three business sectors in terms of the time horizon for planning<sup>25</sup>.

‘Insert Table 14 here’

The majority of companies update their strategic plans on a regular basis. These results are consistent with the results of earlier studies, which indicate that the majority of these companies make amendments either occasionally or frequently. However, the updating of strategic plans is not affected by organisational characteristics<sup>26</sup>.

#### **4.7 Environmental scanning**

Respondents' ranked, on a scale ranging from 1= least significant issue/variable to 9= most significant issue/variable, a number of statements relating to the use of environmental scanning. The most significant areas of application for environmental scanning were customer/end user trends, then technological trends, followed by internal capabilities and, in fourth place, general economic and business conditions. The least significant issues for them were past performance and the reasons for past failures (Table 15).

'Insert Table 15 here'

The correlation between size of company and environmental scanning is negative and significant for one item: world-wide competitive trends. This indicates that the analysis of world-wide competitive trends is more important for smaller companies than for larger ones. The possible explanation for this result is that many of the smaller companies, in the last few years, following an economic reform programme in Jordan, exported their production to the USA, Europe and other Arab countries.. The use of environmental scanning to analyse customer/end user trends is more common in older companies than in younger ones. The possible explanation for this result is that more established companies could have a greater requirement to investigate changes in customer perceptions and needs than newer companies as a result of their greater longevity in the market place (Table 16). No differences were found between the three business sectors regarding the use of environmental scanning.<sup>27</sup>

'Insert Table 16 here'

#### **4.8 Top management participation in strategic planning**

Respondents indicated, on a scale ranging from 1= not participating at all to 5= strongly participating, the degree of participation by top management in strategic planning in four areas. The strongest participation by top management is in choosing strategic proposals, then in consideration and elaboration of strategic issues, followed by the generation of strategic proposals and, in last



place, in the evaluation of strategic proposals. However, the mean for all items has a narrow range, and its level indicates a relatively high participation in all strategic planning activities by top management (Table 17).

‘Insert Table 17 here’

The size of the company is not affected by the participation of top management in the four defined areas of strategic planning in an overall sense. However the consideration and elaboration of strategic issues is more common in newer companies (Table 18). There is a difference between the three business sectors in choosing strategic planning proposals; with the service sector being more likely to involve top managers in choosing a strategic planning proposal. In Jordanian service sectors, such as health and education, top managers have a disproportionate responsibility for the practice of strategic planning, whereas their industrial sector counterparts share this responsibility with their line managers to a greater extent (Table 19)<sup>28</sup>.

‘Insert Table 18 here’

‘Insert Table 19 here’

#### **4.9 Line management participation in strategic planning**

Respondents indicated, on a scale rating from 1= not participating at all to 5= strongly participating, the degree of participation by line management in strategic planning in four areas. The strongest participation by line management was in consideration and elaboration of strategic issues, then in generation of strategic proposals, followed by participation in the evaluation of strategic proposals and, in last place, their participation in choosing strategic proposals. However the mean for all four activities is relatively similar and is approximately three. This indicates a relatively high level of

participation in all four areas of strategic planning, although not as high as for top management ( Table 20).

‘Insert Table 20 here’

Consideration and elaboration was more common for line managers in smaller companies. Participation in considering and elaborating on strategic issues was more common for line managers in smaller companies, while participation in the generation of strategic proposals was more common in a newer company (Table 21). No differences were found between the three business sectors in relation to line management participation<sup>29</sup>.

‘Insert Table 21 here’

#### **4.10 Strategic planning tools and techniques**

Respondents identified, from a list of 14, the tools and techniques which they were aware of and the tools and techniques which were used by their companies, together with their frequency of use. The most commonly used technique is financial analysis for own business, followed by PEST or STEP analysis, Porter’s five-forces analysis, analysis of key (critical) success factors, SWOT analysis and scenario construction. This reflects these companies’ focus on external analysis

There was relatively less use of internal analysis techniques, such as core capability/ competence analysis, human resource analysis and value chain analysis. There was even less use of portfolio analysis, strategic planning software, experience curve analysis or analysis of organisational culture. Companies had an awareness of most of these techniques but did not use them all. The techniques which most respondents were least aware of were analysis of organisational culture, then core competence analysis and strategic planning software (Table 22).

‘Insert Table 22 here’

The use of strategic planning tools and techniques is more common in larger companies. This could be explained by the greater financial and human capability of larger companies. There is a positive correlation between the age of the company and the use of strategic planning techniques for four techniques; namely, industry attractiveness analysis, value chain analysis, scenario construction and experience curve analysis (Table 23). There is relatively little difference between the three sectors regarding the use of tools and techniques, except in the case of PEST analysis, which is used more by the industrial sector than the other two sectors (Table 24).

‘Insert Table 23 here’

‘Insert Table 24 here’

Similar results were found in earlier studies. The age of the company did not affect strongly the use of strategy techniques<sup>30</sup>. The importance of the external environment to these companies could be affected by a number of factors, such as the company’s level of technological development, the possibility of entry to new markets in the USA and Europe as well as Arab countries, and new policies which are designed to make Jordan more open to international investors and a growth in the number of such investors.

#### **4.11 Summary**

Larger companies are more likely to engage in strategic planning. A more structured approach to planning, the greater use of strategic planning tools and techniques and the use of longer-term plans were found in the larger companies. Smaller companies engage in strategic planning by using shorter-term plans, general policies and strategy tools. The fact that smaller companies are engaged seriously in strategic planning is illustrated by the fact that no relationship was found between the size of company and the use environmental scanning except a negative relationship with one item; namely, analysis of world-wide competitive trends. The use of the contents of a strategic plan and the commitment to strategic planning activities are not correlated with company size.

The results indicate a weak relationship between the age of company and the extent of the practice of strategic planning. While the ability of a company to scan the environment and to forecast may well be influenced by its experience of such activities, and hence by its age, new companies are able to recruit personnel with experience of them without much difficulty. Moreover, knowledge of strategic planning practice is publicly available in Jordan ; for example in relation to the use of tools and techniques and there are therefore few barriers to dissemination of practice.

This study also examined the influence of the business of the company (service, financial and industrial) on the practice of strategic planning. The results indicate small differences between the three business sectors regarding the practice of strategic planning. While the industry context might be expected to impact on the practice of strategic planning, the knowledge of strategic planning practice is freely available for the most part. Therefore practice can be disseminated from sector to sector. Moreover knowledge transfer is more likely to take place from developed economies to Jordan; thereby overriding intra country dissemination.

## **5 Conclusions**

The previous analysis and discussion has explored the organisational characteristics (company size, company age and nature of business) that influence the extent of the practice of strategic planning in Jordanian companies. This reflects the study's hypotheses:

Hypothesis 1: size of company has a positive relationship with the practice of strategic planning in Jordanian companies.

Hypothesis 2: age of company has a positive relationship with the adoption of strategic planning in Jordanian companies.

Hypothesis 3: three sectors of business (financial, industrial and service) in Jordanian companies differ in their practice of strategic planning.

The results indicate:

1. a strong relationship between the size of the company and the extent of the practice of strategic planning in Jordanian companies;
2. a weak relationship between the age of the company and the extent of the practice of strategic planning in Jordanian companies;
3. small differences between the three sectors (financial, industrial and service) regarding the practice of strategic planning.

This research is the first attempt to study the practice of strategic planning in Jordanian companies through a comprehensive multidimensional approach. These dimensions include, for example, the planning approach, the commitment to strategic activities, the time horizon and updating of the strategic plan, environmental scanning, the participation of top and line managers in strategic planning and the use of strategic planning tools and techniques. Such an approach could be used as a benchmark for an investigation of the practice of strategic planning in other emerging markets.

This multi dimensional approach provides important empirical evidence about strategic planning practice in Jordan and also about the nature of the relationship between a number of organisational characteristics (size, age, and nature of business) and strategic planning practice in Jordan. The research focused only on organisational characteristics. The relationship between managerial characteristics, such as expertise and belief, and the extent of the practice of strategic planning by these companies are areas for further research<sup>31</sup>.

This research is one of the first attempts to provide an insight into the practice of strategic planning in an emerging market. The results indicate that there are considerable similarities between strategic planning practice in Jordan and those which have been found in earlier studies in developed economies. For the most part this is likely to be because of there are few barriers to the

dissemination of the knowledge elements of strategic planning practice. Moreover the fact that many Jordanian managers have been educated in developed countries such as the USA and the UK reinforces this tendency.

There are some differences between the results obtained during this study and the results obtained previously in developed economies. For example, in the tools and techniques category, there is greater use of PEST or STEP analysis, Porter's five-forces and focus on the use of scenario construction than by UK companies. This can be explained by the by the high levels of uncertainty in the external environment in Jordan, particularly in relation to political risk. Indeed it is possibly this factor more than any other which explains the (relatively small number of) differences between the Jordanian context and that which is found in most developed economies<sup>32</sup>.

The nature of this research is descriptive and the method used is a cross-sectional survey. This choice makes it difficult to explore in depth some areas related to the practice of strategic planning in these companies. The research focused on "what" and "how" questions. Future research could be conducted on a small number of these companies by using face to face interview or focus groups in an attempt to answer "why" questions..

Single respondents rather than multiple respondents participated in this research. Multiple respondents could not be obtained because of the wishes of some companies to receive just one questionnaire. Future research should include line managers, such as marketing, financial, planning and administrative managers, to get a clearer picture about the situation inside companies.

The findings of this research lead to a number of recommendations that can be used to improve strategic planning in Jordanian companies. In particular, companies should pay more attention to the participation of line managers in the strategic planning process, especially in relation to

choosing a strategic proposal. In addition, companies should pay greater attention to the scanning of internal strategic factors, as well as external analysis. This could be achieved by determining the reasons for past failure by carefully assessing the capabilities and the resources of the company and reviewing a historical view of the planning process and its results. Companies should also pay greater attention to involving outside resources (for example consultants, bankers, accountants) which would benefit and improve their strategic planning<sup>33</sup>.

**Table 1 Characteristics of responding managers**

<b>1. Age</b>	<b>Frequency</b>	<b>Percent</b>
Under 30	7	8.4
30-40	30	36.1
41-50	31	37.3
51-60	13	15.7
61-over	2	2.4
<b>2. Gender</b>		
Male	83	100
Female	0	0
<b>3. Education level</b>		
College degree	12	8.4
Bachelor's degree	52	62.7
Postgraduate degree	14	16.9
Others	5	6
<b>4. Experience in current position</b>		
Under 5 years	12	14.5
5-10	41	49.4
11-15	19	22.9
16-20	7	8.4
21-over	4	4.8
<b>5. Total working experience</b>		
Under 5 years	7	8.4
5-10	17	20.5
11-15	31	37.3
16-20	12	14.5
21-over	16	19.3

**Table 2 Characteristics of responding companies****Nature of business**

<b>Nature of business</b>	<b>Population</b>	<b>Surveyed</b>	<b>Responded</b>
<b>Financial</b>	52 *(25.6%)	22** (42.3%)	26.5***
<b>Industrial</b>	87 (42.8%)	32 (36.8%)	38.6
<b>Service</b>	64 (31.5%)	29 (45.3%)	34.9
<b>Total</b>	203	83	100

**Age of company**

<b>Age of company</b>	<b>Population</b>	<b>Surveyed</b>	<b>Responded</b>
<b>1990-After</b>	104 *(51.2%)	33 ** (31.7%)	39.8***
<b>1975-89</b>	52 (25.6%)	28 (53.8%)	33.7
<b>Before 1975</b>	47 (23.2%)	22 (46.8%)	26.5
<b>Total</b>	203	83	100

**Size of company**

<b>Size of company</b>	<b>Population</b>	<b>Surveyed</b>	<b>Responded</b>
<b>Less than 50 employees</b>	74 *(36.5%)	23** (31%)	27.7***
<b>51-200 employees</b>	70 (34.5%)	27 (38.5%)	32.5
<b>More than 200 employees</b>	59 (29.0%)	33 (55.9%)	39.8
<b>Total</b>	203	83	100

\*Percentage of number of companies in each sector, age or size to number of whole population.

\*\*Percentage of respondents relative to number of the same sector, age or size.

\*\*\* Percentage of respondents relative to number of companies surveyed.

**Table 3 The purpose of strategic planning (n=83)**

<b>The purpose of strategic planning</b>	<b>Rank</b>	<b>Mean*</b>
Clarifying the goals and policy of the company	1	3.87
Guiding company operations	3	3.84
Making decisions based on long range forecasting	5	3.83
Improving communication throughout company to examine company problems	8	3.68
Examining the problems of the company	3	3.84
Assuring unified opinion among top executives	6	3.74
Ensuring better allocation of resources	6	3.74
Coordination of individual projects	2	3.85

\*The mean is an average of scale of 1= not important at all to 5= extremely important.



**Table 4 Correlation between size of company and purpose of strategic planning and age of company and purpose of strategic planning (n=83)**

<b>The purpose of strategic planning</b>	<b>Size of Firm</b>	<b>Age of firm</b>
Clarifying the goals and policy of the company	.168 .064	.037 .370
Guiding company operations	.417** .000	.124 .131
Making decisions based on long range forecasting	.108 .166	.136 .111
Improving communication throughout company to examine company problems	.017 .440	-.036 .372
Examining the problems of the company	.298** .003	-.021 .426
Assuring unified opinion among top executives	.208* .030	-.043 .348
Ensuring better allocation of resources	.237* .015	-.043 .349
Coordination of individual projects	.049 .329	-.074 .253

\*Correlation is significant at the .05 level (1- tailed); \*\* correlation is significant at the .01 level (1- tailed)

**Table 5 Strategic planning approach (n=83)**

<b>Strategic planning approach</b>	<b>Frequency</b>	<b>Percent</b>
Highly structured with detailed plans and clear targets that are rarely amended	1	1.2
Highly structured with detailed plans and clear targets amended only when circumstances dictate	19	22.9
Highly structured with detailed plans and clear targets frequently amended	31	37.3
General policies exist without detailed plan but they are rarely amended	11	13.3
General policies exist without detailed plan but they are amended only when circumstances dictate	10	12.0
General policies exist without detailed plan but they are frequently amended	7	8.4
No formal planning	4	4.8

**Table 6 The correlation between size of the company and strategic planning approach and age of company and strategic planning approach (n=83)**

<b>Planning approach</b>	<b>Size of Firm</b>	<b>Age of firm</b>
Planning approach	.771** 000	.336** .001

\*\* Correlation is significant at the .01 level (1- tailed)

**Table 7 Participation and involvement in strategic planning\* (n=83)**

Level of management	Frequency	Rank	Percent
Board of directors	27	2	32.5
General manager	24	3	28.9
Planning department	19	4	22.9
General manager and line managers	58	1	69.1
Line managers	7	6	8.4
Outside consultants	19	5	22.9
Other	2	7	2.4

\*Table contains multiple answers.

**Table 8 Mann-Whitney test: size of company vs. involvement in strategic planning\***

Testing Criteria	Mann-Whitney	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Board of directors	736.000	2332.000	-.207	.836
General manager	463.000	763.000	-2.621	.009
Planning department	438.000	628.000	-1.962	.050
General manager and line managers	365.000	690.000	-3.806	.000
Line managers	266.000	294.000	.000	1.000
Outside management consultants	483.000	2563.000	-1.443	.149

\* Grouping variables: involvement in strategic planning (involvement and not involvement)

**Table 9 Chi-Square test: nature of business vs. involvement in strategic planning**

Testing Criteria	Chi-square value	df	Asymp. Sig. (2-tailed)
Board of directors	5.387	2	.068
General manager	15.223	2	.000
Planning department	.853	2	.653
General manager and line managers	4.807	2	.090
Line managers	1.057	2	.589
Outside management consultants	.338	2	.845

**Table10 Content of strategic plans (n=81)**

Content of strategic plans	Frequency	Rank	Percent
Mission statement	60	2	72.3
Business level objectives	70	1	84.3
Department/ divisional/objectives	54	8	65.1
Production/volume/output targets	55	6	66.3
Profit targets	60	2	72.3
Sales targets	56	5	67.5
Cost targets	54	8	65.1
Market share target	33	11	39.8
Staff appraisal	54	8	65.1
Staff development	55	6	66.3
Staff training	58	4	69.9

**Table 11 Chi-Square test: for nature of business vs. content of strategic plan**

Testing Criteria	chi-square value	df	Asymp. Sig. (2-tailed)
Business level objectives	.614	2	.735
Mission statement	5.824	2	.054
Staff training	4.529	2	.104
Staff development	4.737	2	.094
Sales targets	4.812	2	.090
Production/volume/output targets	4.997	2	.082
Staff appraisal	4.002	2	.135
Profit targets	6.521	2	.038
Cost targets	1.877	2	.391
Department/ divisional/objectives	1.57	2	.533
Market share target	.691	2	.705

**Table 12 Commitment to strategic planning activities (n=81)**

Strategic planning activities	Rank	Mean*
Specification of business objectives/ aims	1	3.50
Specification of corporate objectives/ aims	3	3.44
Seeking commitment to plans from organisational members	6	3.39
Generation of strategy	4	3.42
Fostering of a supportive climate/atmosphere	6	3.39
Monitoring of results against strategic plans	2	3.46
Evaluation of strategy	5	3.41

\*The mean is an average of scale of 1= commitment to 5= full commitment

**Table 13 Time horizon for strategic planning and updating of strategic plan (n=82)**

Years	Frequency	Percent	Frequency of updating	Frequency	Percent
1	12	14.6	Never	3	3.6
2	22	26.8	Once a year	20	24.3
3	18	21.9	Twice a year	27	32.9
4	14	17	Once every two year	13	15.8
5	7	8.5	Other/ when needed	19	23.1
6-10	9	10.9			
Over 10	-	-			

**Table 14 Correlation between size of company and time horizon for planning and updating of the strategic plan and age of company and time horizon for strategic planning and updating of the strategic plan (n=82)**

Testing criteria	Size of Firm	Age of firm
Time horizon for plan	.603** .000	.173 .060
Number of times updated	.048 .334	.128 .126

\*\* Correlation is significant at the .01 level (1- tailed).

**Table 15 Environmental scanning (n=83)**

Uses of environmental scanning	Rank	Mean
Internal capabilities	3	6.21
Past performance	9	3.48
Reason for past failures	8	2.92
General economic and business conditions	4	6.15
Regulatory issues	7	3.95
Supplier trends	5	4.20
World-wide competitive trends	6	4.03
Customer/end user trends	1	7.31
Technological trends	2	7.15

**Table 16 Correlation between size of company and the use of environmental scanning and age of company and the use of environmental scanning (n=83)**

	Size of Firm	Age of firm
Internal capabilities	-.147 .092	-.080 .237
Past performance	-.074 .254	.099 .186
Reason for past failures	.072 .260	.026 .409
General economic and business conditions	.100 .183	-.017 .440
Regulatory issues	.046 .340	-.080 .237
Supplier trends	-.187* .045	-.179 .053
World-wide competitive trends	-.050 .328	.094 .199
Customer/end user trends	.160 .047	.208* .030
Technological trends	.011 .460	-.160 .074

\* Correlation is significant at the .05 level (1- tailed).

**Table 17 Top management participation in strategic planning (n=82)**

Elements of strategic planning	Rank	Mean*
Consideration and elaboration of strategic issues	2	3.71
Generation of strategic proposals	3	3.67
Evaluation of strategic proposals	4	3.62
Choosing strategic proposals	1	4.00

\*The mean is an average of scale of 1= not participating all to 5= strongly participating

**Table 18 Correlation between size of company and top management participation in strategic planning and age of company and top management participation in strategic planning (n=82)**

The participation areas	Size of Firm	Age of firm
Consideration and elaboration of strategic issues	-.101 .184	-.198* .038
Generation of strategic proposals	-.153 .085	.012 .458
Evaluation of strategic proposals	.072 .260	-.089 .214
Choosing strategic proposals	.052 .321	-.032 .388

\* Correlation is significant at the .05 level (1- tailed)

**Table 19 Analysis of variance (ANOVA): top management participation in strategic planning by nature of business**

The participation areas	F	Sig.
Consideration and elaboration of strategic issues	1.257	.290
Generation of strategic proposals	.041	.960
Evaluation of strategic proposals	1.343	.267
Choosing strategic proposals	3.80	.043

**Table 20 Line management participation in strategic planning (n=82)**

Elements of strategic planning	Rank	Mean*
Consideration and elaboration of strategic issues	1	3.21
Generation of strategic proposals	2	3.13
Evaluation of strategic proposals	3	3.01
Choosing strategic proposals	4	2.67

\*The mean is an average of scale of 1= not participating all to 5= strongly participating

**Table 21 Correlation between size of company and line management participation in strategic planning and age of company and line management participation in strategic planning (n=82)**

The participation areas	Size of Firm	Age of firm
Consideration and elaboration of strategic issues	-.196* .039	.077 .246
Generation of strategic proposals	.082 .231	-.212** .028
Evaluation of strategic proposals	.127 .128	.058 .302
Choosing strategic proposals	.167 .057	.016 .444

\* Correlation is significant at the .05 level (1- tailed); \*\* correlation is significant at the .01 level (1- tailed).

**Table 22 Use and awareness of strategic planning tools and techniques\***

Techniques	Aware/used		Aware/ did not use		Not aware of	
	Frequency	Rank	Frequency	Rank	Frequency	Rank
SWOT analysis	35	5	31	5	17	11
Porter's five-forces analysis	38	3	19	13	26	7
Financial analysis for competitors	25	10	31	5	27	4
Financial analysis for own business	56	1	18	14	9	14
Value chain analysis	33	8	35	1	15	12
Portfolio analysis (e.g. BCG: growth- share)	25	10	33	3	25	7
Strategic planning software	22	12	33	3	28	2
Core capability/ competence analysis	35	5	20	12	28	2
Scenario construction	35	5	28	9	20	10
Human resource analysis	33	8	27	10	23	8
Analysis of organisational culture	18	14	29	7	36	1
PEST or STEP analysis	39	2	29	7	15	12
Analysis of key (critical) success factors	36	4	26	11	21	9
Experience curve analysis	21	13	35	1	27	4

\* Total less than 83 are due to missing value

**Table 23 Correlation between size of company and use of strategic planning techniques and age of company and use of strategic planning techniques**

The participation areas	Size of Firm	Age of firm
SWOT analysis	.252* .011	.134 .114
Porter's five-forces analysis	.245* .013	.194* .040
Financial analysis for competitors	.079 .249	-.010 .463
Financial analysis for own business	.073 .259	.006 .478
Value chain analysis	.290** .004	.220* .023
Portfolio analysis (e.g. BCG: growth- share)	.204* .032	.052 .321
Strategic planning software	.300** .003	.025 .411
Core capability/ competence analysis	.303** .003	.162 .073
Scenario construction	.428** .000	.284** .005
Human resource analysis	.615** .000	.206 .031
Analysis of organisational culture	.032 .386	.098 .189
PEST or STEP analysis	.255* .010	.049 .330
Analysis of key (critical) success factors	.334** .001	.174 .058
Experience curve analysis	.542** .000	.278** .006

\*Correlation is significant at the .05 level (1- tailed); \*\* correlation is significant at the .01 level (1- tailed).

**Table 24 Kruskal Wallis test: use of strategic planning techniques vs. nature of business**

Testing Criteria	Chi-square	df	Asymp. Sig.
SWOT analysis	4.688	2	.090
Porter's five-forces analysis	2.250	2	.134
Financial analysis for competitors	3.296	2	.190
Financial analysis for own business	.625	2	.429
Value chain analysis	1.686	2	.430
Portfolio analysis (e.g. BCG: growth- share)	1.574	2	.455
Strategic planning software	1.004	2	.605
Core capability/ competence analysis	.845	2	.655
Scenario construction	3.152	2	.207
Human resource analysis	1.240	2	.533
Analysis of organisational culture	1.59	2	.589
PEST or STEP analysis	6.094	2	.014
Analysis of key (critical) success factors	1.240	2	.533
Experience curve analysis	5.120	2	.077

## NOTES

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15. Questionnaires were sent to the chief executive or general manager (top management) of each company, since it was believed that this would be the most appropriate person to provide a valid response to questions related to strategy: Conant, J., Mokwa, M. and Varadarajan, R. "Strategic types, distinctive marketing competencies and organisational performance: a multiple measures-based study", *Strategic Management Journal*, **11** (5), pp. 365-383 (1990). After data were obtained via the questionnaire, they were edited, coded and categorised.

Although the English language is spoken widely in the business sector in Jordan, the decision was made to distribute the questionnaire in both English and Arabic. The parallel method was adopted for translation of the questionnaire. This method was used in a study of strategic planning in Greece: Koufopoulos, D. and Morgan, N. "Competitive pressures force Greek entrepreneurs to plan", *Long Range Planning*, **27** (4), pp. 112-124 (1994).

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- Bonn, I. and Christodoulou, C. "From strategic planning to strategic management", *Long Range Planning*, **24** (4), pp. 543-551 (1996), in their study of the 100 largest manufacturing companies in Australia, found that all these companies involved line managers in strategic planning. For two of the very few surveys of board involvement, see Judge, W.Q. and Zeithaml, C.P. "Institutional and Strategic Choice Perspectives on Board Involvement in the Strategic Decision Process", *Academy of Management Journal*, **35** (4), pp. 766 – 794 (1992); and Fiegener, M.K. "Determinants of Board Participation in the Strategic Decisions of Small Corporations", *Entrepreneurship Theory and Practice*, **29** (5), pp. 627-650 (2005).
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  24. Athiyaman, A. and Robertson, R. op.cit. Ref. 13 found no statistical difference between tourism firms and manufacturing firms in Australia in the level of commitment to strategic planning activities. Similarly, Glaister, K. and Falshaw, R. (1999), op.cit. Ref. 13 found no significant difference between the service and manufacturing sectors in the UK in the level of commitment to strategic planning activities. Bracker, J. and Pearson, J. (1986) op.cit. Ref.12, in a study of 555 owners/managers of dry cleaning businesses, found that young firms may be predisposed to the idea of sophisticated planning systems, while older firms were more set in their methods of operation and had not implemented structured strategic plans to the same extent.In the small firms context, however, there is much less dependence on formal written plans and there may be rather more emphasis on encouraging the development of the strategic awareness and personal commitment of the owner manager: Gibb, A. and Scott, M. "Strategic Awareness, Personal Commitment and the Process of Planning in the Small Business", *Journal of Management Studies*, **22** (6), pp. 597- 531 (1983).
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30. Glaister, K. and Falshaw, R. (1999) op.cit. Ref. 13 found no major differences between the UK manufacturing sector and the service sector regarding the use of strategic planning techniques. They also found that UK companies give greater consideration to external, rather than internal, factors. Similarly, Athiyaman, A. and Robertson, R. (1995), op.cit. Ref. 13 found no significant difference between tourism companies and manufacturing companies in Australia with regard to the use of strategy techniques.
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