Planning practices, strategy types and firm performance in the Arabian Gulf region

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Abstract

Purpose – The purpose of this paper is to investigate planning practices, strategy types, and the performance of indigenous firms in Bahrain and United Arab Emirates (UAE).

Design/methodology/approach – Data are collected from cheif executive officers (CEOs) and top management of 95 local companies sampled from Chamber of Commerce and Industry databases in Bahrain and UAE using face-to-face interviews. Analysis of variance and univariate logistic regression are employed in analyzing the data.

Findings – Although most of the firms are long-term planners, many of them do not have a planning process. Majority of the firms are Prospectors and Analyzers. Prospectors perform considerably better than all the other strategy types. Nevertheless, the firms that are included in this paper appear to be cautious and not aggressive in entering new markets or in taking the lead in introducing and marketing new products.

Research limitations/implications – The paper suffers from selection bias by focusing on indigenous-owned companies. Also, the data originate from self-reported responses from business leaders and executives. The results do not establish causality. Finally, only broad demographic links are considered. Other individual and firm variables may influence performance in different ways than indicated here.

Practical implications – Managers must pay heed to the usefulness of planning and ensure that their companies have a planning process in place. Given the performance of Prospectors, managers must adopt some prospector strategies. Experience and high level of education as essential ingredients to successful planning and performance require management consideration.

Originality/value – The paper provides empirical support for Miles and Snow typology and corroborates the existing understanding that planning is beneficial to firms from an under-researched part of the world.

Keywords Business planning, Corporate strategy, Business performance, Bahrain, United Arab Emirates

Paper type Research paper

Introduction

The influence of planning on firm performance has received extensive attention from management researchers. Past research indicates a positive relationship between planning and organizational performance (Sarason and Tegarden, 2003). Planning is imperative for company success (Knight, 1993), growth (Ward, 1997), and improved performance (Schwenk and Shrader, 1993). A meta-analysis showed strategic planning practice positively influences firm performance (Miller and Cardinal, 1994).

Notwithstanding the importance of strategic planning, research on strategic planning practices of indigenous companies in the Arab world is limited (Elbanna, 2008).

Education, Business and Society: Contemporary Middle Eastern Issues
Vol. 2 No. 3, 2009
pp. 203-217

1753-7983
DOI 10.1108/17537980910981778

Most of the prior planning-performance studies emanate from North America and other Organisation for Economic Co-operation and Development (OECD) countries. The resulting frameworks may not necessarily be applicable to developing countries (Haines, 1988) leading to questions about the suitability and efficacy of North American management paradigms and practices in non-OECD contexts (Gelfand *et al.*, 2007; Kanungo and Jaeger, 1990). Consequently, scholars have been advised to research indigenous management practices (Tung and Aycan, 2008). The paper responds to this call, and also attempts to fill the gap in the planning-performance literature by focusing on a different environmental context, that of Bahrain and United Arab Emirates (UAE).

The study context

The Arabian Gulf region comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE. We focus on Bahrain and the UAE for three reasons. First, Bahrain and UAE constitute an Arabic cluster sharing a number of common attributes such as social norms and practices that stem from religion, history, society, economy (Kabasakal and Bodur, 2002). Second, Bahrain and UAE have identical economies with large oil and gas reserves, and are among the leading countries in business and industry in the Arabian Gulf region (*CIA WorldFact Book*, 2005). Third, diversification programs in both countries provide a backdrop for the study of planning, strategy types and performance among indigenous businesses.

Bahrain, the first Gulf state to discover oil, where petroleum accounts for 60 percent of exports, 70 percent of government revenue and 11 percent of gross domestic product (GDP), is the fastest growing economy in the Arab world (United Nations Economic and Social Commission for Western Asia, 2006 January). Bahrain is vigorously diversifying away from oil to services, and privatizing its economy (*CIA WorldFact Book*, 2005). Bahrain is the leading global Islamic finance center, and an international and regional financial and business center in the Gulf region (www.arabianbusiness.com/517455-bahrain-calling, accessed January 15, 2009).

Like Bahrain, petroleum plays a significant role in UAE accounting for 30 percent of total GDP. The Emirati Government is diversifying the economy away from oil to services particularly, tourism and Islamic banking. In 2004, the service sector contributed 43.1 percent to GDP, and 60 percent of the total workforce. Tourism revenue exceeded revenue from oil in Dubai, with 6.4 million visitors in 2006 (https://ciaworldfactbook-UAE, accessed on January 10, 2009).

Given the dearth of our understanding of the management practices in Arab countries despite the tremendous growth, investigating the role of planning and strategy types in the performance of indigenous Bahraini and Emirati firms will be beneficial from theoretical and managerial perspectives.

Literature review and propositions

From a classical standpoint, strategic planning entails the development of an organization mission, strategic objectives, and strategies (Ansoff, 1979), followed by an articulation and implementation of operating plans and a control system (Kuratko and Welsch, 2004).

While earlier empirical studies demonstrate the usefulness of planning to organizational performance (Thune and House, 1970; Herold, 1972; Ackelsberg and Arlow, 1985), others conclude planning does not add any value for organizations

(Mintzberg, 1994), stifles creativity (Desai, 2001) and prevents organizational renewal (Bonn and Cristdoulou, 1996).

Owing the inconclusive results from prior studies, we explore the relationship between planning, strategic types and performance of locally-owned companies in Bahrain and the UAE.

Planning practices

Studies involving planning practices of firms have employed two major categories of variables, namely: business structure variables (e.g. industry type, business volume, firm size, and firm age) and management structure variables (e.g. decision makers' managerial experience and decision makers' educational level). These variables, discussed more fully below, lead to the development of our propositions.

Business structure variables

Planning and industry type: Several studies (Berman *et al.*, 1997; Glen and Weerawardena, 1996) have established variances between planning and industry type. This may suggest the existence of context-specific influences involving the distinctive business environment of different industries. From that, we propose:

P1. There are differences in the incidence of planning between industries.

Planning and company revenue volume. According to Berman *et al.* (1997), different levels of company revenues may indicate planning effectiveness in organizations. Schuman and Seeger (1986) concluded that a company's operating performance explains variation in planning practices. With the increasing use of contractors and part-timers to accomplish routine jobs by organizations, it is reasonable to use revenue as a measure of planning effectiveness (Gibson and Cassar, 2002). Accordingly, we propose:

P2. The incidence of planning will tend to rise with sales revenue.

Planning and company size. The connection between firm size and strategic planning is well established in the literature (Fredrickson and Mitchell, 1984). Size has been found to be an important factor to be considered in crafting effective strategic planning in an organization (Lenz, 1981). Larger firms have greater planning incidences than smaller firms (Risseeuw and Masurel, 1994) because of access to more resources (Barney, 1991). Accordingly, we propose:

P3. The incidence of planning is higher in larger firms than in smaller firms.

Planning and company age. As firms become older, their planning intensity diminishes slightly, while younger firms have higher planning intensity. To raise debt and equity capital, younger firms have to project expectations through plans (Berman *et al.*, 1997; Risseeuw and Masurel, 1994). Owing to the liability of newness, younger firms need to plan to withstand uncertainties (Mathews and Scott, 1995). Accordingly, we propose:

P4. Planning incidences will be higher in younger firms than in older ones.

Management structure variables

Planning and company decision makers' experience. The attitude of the top decision maker(s) is an important determinant whether a firm plans or not (Bracker and Pearson, 1986). Gibson and Cassar (2002) suggest that the managers' experience in their organizations may likely impact their stance about the benefits of planning. Accordingly, we propose:

P5. Planning intensity is related to the major decision makers' years of experience in the organization.

Planning and company decision makers' level of education. Scholars are of the view that education is positively related to business planning (Lee and Matthews, 1999). It is conceivable that the level of education of the major decision makers in the organization may likely influence the planning incidence. Accordingly, we propose:

P6. Planning intensity is related to the major decision makers' level of education.

Additionally, we explore planning demographics including the firms' planning horizon, written plans, frequency of plans, and planning variables such as the type of strategies employed and the planning practices of the firms. Finally, we investigate the relationship between strategy types and performance.

Methodology

Sample

We randomly sampled 250 locally-owned firms and companies owned by Bahraini and Emirati citizens, governments and institutions. Out of the 250 indigenous companies that were contacted, 159 firms agreed to participate in the study. Eventually, usable responses were collected from 95 companies, representing a response rate of 38 percent.

The study was cross-sectional and the data were collected through direct face-to-face interviews using a structured questionnaire developed for the purpose. Face-to-face interviews were used because they work better in the Gulf region than the other methods of collecting data such as mail and telephone surveys. The questionnaire comprised of three sections. The first section covered background information about the respondent and the firm. The second section consisted of information about the strategic and business planning practices of the firms, and the third section included data on firm performance.

To ensure consistency across the firms, we followed Finkelstein and Hambrick's (1996) procedure, and asked the cheif executive officer (CEO) of each firm to identify its top management team, defined as those persons who are typically involved in making strategic decisions in the firm. These individuals were considered to be key informants whose positions qualified them to comment on organization-wide phenomena. The teams ranged in size from one to seven members, with a mean of 3.4. On the average, two top management team members responded from each firm for an overall response rate of 48 percent. By the standards of data collection in the Arabian Gulf region, this was a highly respectable response rate. Since we did not have a perfect response for the surveys and to ensure reliability and establish that the missing responses did not create any bias in the findings, reliability tests were conducted on the data obtained. Results of the analysis of variance (ANOVA) for all the internal measures (range, frequency, and duration), were significant. We therefore concluded that the data were reliable and the missing responses did not create any bias in the findings.

Measures and operational definition of variables

Background variables. We asked the respondents to indicate their age by ticking one of the listed age ranges: 21-30, 31-40, 41-50, and 51 years and above. The respondents were asked to indicate whether they were male or female. We asked the respondents about their educational level. The categories were: no education, primary education, high school, Diploma/degree, and post-graduate degree. We asked the respondents about their position in the company. Categories were: owners, managers, senior managers, or middle managers. Firm age was captured using ranges: less than five years, 6-10, 11-20, and over 20 years. Industry sector was denoted by manufacturing, service, commerce and other. Size was captured by number of employees: 1-10, 11-30, 31-50, 51-100, and above 101.

Strategy types. Several typologies have employed broad generic categorizations encompassing most industries to examine organizational strategies (Porter, 1980). Miles and Snow's (1978) model, one of the best known typologies, has been empirically tested and found to be rigorous (Rogers and Bamford, 2002). Following Miles and Snow (1978), we classified strategy into: defender strategy, innovator/prospector strategy, analyzer strategy and reactor strategy. The defender strategy is linked to stable and established market niches. Defenders focus on quality and cost leadership, and are not likely to take risks (Zahra and Pearce, 1990). They employ formal planning methods and are proficient in making changes to proven strategies. Prospectors are innovators and market leaders who accept higher risk. The need for adaptability and agility require planning methods that are broader in scope and more exploratory (Sidhu *et al.*, 2004). Analysers are opportunistic in the sense of utilizing the best qualities of defenders and prospectors. Analysers use informal, adaptive strategies to create alignment (Kearns, 2005). Reactors may use outmoded strategies or formal planning inconsistent with environmental dynamics. Reactors employ strategies that have negative effect on firm performance.

Overall strategy. To identify the overall strategy of the responding firms in introducing products and services into the market relative to their competitors', we posed the question: "How would you characterize your business strategy regarding your products or services?" Answer categories were:

- We stick to what we know how to do and do it as well as or better than anyone else (defender strategy).
- We are innovators and are willing to take the necessary risks of providing new products and services (innovator/prospector strategy).
- We do not want to be first in our industry to offer an unproven product or service, but we try to be close behind with a similar products or services that are competitive (analyzer strategy).
- We do not follow a specific program or plan for making us more competitive, although, when we are faced with strong threats, we definitely make changes (reactor strategy).

To examine the firms' implementation strategy, we asked: "Irrespective of the strategy you pursue, what is the method that best describes your strategic approach when marketing new products or services?" Answer categories were:

- first to market strategy;
- early follower strategy;
- competitive parity strategy; and
- late follower strategy.

Performance measures

Following prior studies (Skaggs and Huffman, 2003), perceptual performance data were collected using a five-point Likert scale that measured the satisfaction with the firms' return on sales, return on investment, return on assets, growth of sales, and growth of profitability over the previous five years. We asked the question: "Rate the performance of your firm's *vis-à-vis* those of the industry in which you operate". Answer categories were:

- below industry average;
- approximately equal to industry average; and
- better than industry average.

We factor analysed the five perceptual measures yielding a single construct ($\alpha = 0.86$). A principal components analysis was conducted on the measures to determine if they described a more general notion of performance. A single factor ($\alpha = 0.75$) emerged supporting our conviction that the performance measures were actually part of a larger performance construct. We used this overall composite as the measure of firm performance.

Results

The respondents are predominantly male (94 percent), with majority (35 percent) between 41 and 50 years. About 35 percent have at least a first degree (16 percent have a higher degree). Majority (44 percent) are managers, 36 percent senior managers, 14 percent are owners and the rest are in middle management. Most firms (38 percent) have existed for 11-20 years, 27 percent for 6-10 years, 23 percent are older than 20 years, and 12 percent are under five years service firms predominate (40 percent), followed by commerce (32 percent), and manufacturing (27 percent). Firms employing 51-100 workers prevail (29 percent), followed by firms employing over 101 workers (26 percent), 23 percent employs 11-30, and 20 percent employs 31-50 workers.

Over the last three years, preponderance (61 percent) of the firms' average gross revenue exceeded $15 million, 23 percent had $5-$14.99 million, while 12 percent averaged $1-$4.99 million. Regarding the firms' market position situation in the last three years, 41 percent considered they gained on current market share, 32 percent indicated they gained significant market share, 20 percent held on to their current market, while 17 percent lost their market position.

Planning behaviour of firms

Preponderance of the firms (62 percent) had a long-term planning philosophy, 36 percent had medium-term planning mode, 2 percent planned on short-term basis. Reasons for planning were to raise finance (21 percent), exploit an identified opportunity (18 percent), deal with existing or potential losses (15 percent), outside pressure, business just established (13 percent), and, new person at the helm of company affairs (12 percent). Majority of the firms (57 percent) had a planning procedure in place while 43 percent did not.

Strategy types

About 30 percent of the firms were prospectors and analyzers, 23 percent were reactors and 18 percent were defenders.

Strategy type and firm characteristics. We employed ANOVA to test the relationship between strategy types and firms' characteristics. Table I shows prospectors and analysers are older and larger, while reactors younger and smaller. A significant relationship exists between strategy type and performance ($F = 2.57$, $p < 0.01$). Prospectors have a significantly higher performance rate than the other firm strategy types. Defenders have the lowest performance standing among the categories. Analyzers and reactors lie within the two extremes.

Also, a significant relationship exists between market position and strategy type ($F = 2.26$, $p < 0.05$). Prospectors rated themselves highest on market position (mean = 3.12). Reactors had the lowest market position score with a mean of 2.17. Analysers and defenders lie between the two.

Strategy implementation shows majority of the firms (32 percent) used competitive parity approach, 24 percent used early follower, 22 percent used late follower, 10 percent used first to enter (10 percent), while 12 percent did not indicate any approach.

Before providing detailed results of our propositions, we present descriptive statistics of the six potential explanatory variables (Tables II and III).

Results of univariate logistic regression analysis of the continuous independent variables (Table IV) show that all the independent variables have significant association with planning thereby, confirming *P2*, *P3* and *P5*. Business volume and size have positive association at the 0.01 statistical significant level; the decision maker's experience is statistically significant beyond the 0.001 level.

Using χ^2 tests to analyse the categorical independent variables (Table V) results in association between industry type and companies' planning behaviours (*P1*), education and business planning (*P6*). The association between company age and business planning (*P4*) did not materialize.

Table VI summarizes results of the six propositions.

Discussion

Top management's high-educational level is consistent with human capital development policies exemplified by fee-free education up to the university level for Bahrainis and Emiratis. Membership of the top management echelon can explain why

Strategy	Age bracket (years)	Number of employees category	Average composite performance	Current market position
Analyzer	11-20	> 100	2.85	2.66
Prospector	11-20	> 100	3.10	3.12
Defender	6-10	31-50	2.66	2.65
Reactor	1-5	10-30	2.71	2.17
Overall	6-10	10-30	2.85	2.67
F			2.57*	2.26**

Notes: $^{*}p < 0.01$; $^{**}p < 0.054.5$

Table I. ANOVA for strategy type and selected firm characteristics

	Number	Mean	SD	Skewness	Kurtosis
Revenue	95	2.91	1.17	0.106	−0.853
Business size	95	3.49	1.20	−0.175	−1.025
Experience	95	2.33	0.88	0.547	2.382

Table II. Descriptive statistics of continuous explanatory variables

Table III. Descriptive statistics of categorical explanatory variables

	Number of planning firms	Percent of planning firms	Total number of firms[a]
Company age			
<1 year	3	75	4
1-5 years	6	46.2	13
6-10 years	15	45.5	33
11-20 years	14	42.4	33
>20 years	5	41.7	12
Industry type			
Manufacturing	12	46.2	26
Service	14	36.8	38
Commercial	16	53.3	30
Level of education			
Primary	3	25	12
High school	16	47.1	34
Bachelors degree	16	48.5	33
Graduate degree	8	53.3	15

Note: [a]Sample sizes differ due to missing information or non-applicable responses

Table IV. Univariate results planning response analysis: logistic regression

Variables	
Business structure variables	
Log company revenue	
Coefficient	1.5683
Standard error	0.0712
χ^2 (from logistic regression)	315.897
p-value	0.01
Log company size	
Coefficient	1.0141
Standard error	0.0499
χ^2 (from logistic regression)	484.858
p-value	0.01
Management structure variables	
Log company decision maker's experience	
Coefficient	1.0147
Standard error	0.0511
χ^2 (from logistic regression)	451.8893
p-value	0.000

majority of respondents are between 41 and 50 years of age. Given the high-power distance of this region (Hofstede, 2001), it is plausible that the higher the seniority, the greater the participation in the strategic planning process (Elbanna, 2008).

Culture and religion can explain the prevalence of male respondents. In Arab society and culture, women are generally expected to stay at home (Nydell, 1996; Topaloglu, 1983). In Islam, economic provision for the family is the responsibility of males (Kabasakal and Bodur, 2002).

Ongoing services-driven diversification programs accentuate the predominance of service firms and the importance of planning for most Bahraini and Emirati firms. Simultaneous production and consumption of services require service companies to

Variables	
Business structure variables	
Industry type	
χ^2 (df 3)	32.20
p-value	0.000
Company age	
χ^2 (df 4)	36.94
p-value	0.051
Management structure variables	
Decision-makers education	
χ^2 (df 4)	35.23
p-value	0.001

Table V. Univariate results planning response analysis: χ^2 test

Proposition	Results
1. There are differences in the incidence of planning between industries	Confirmed
2. The incidence of planning will tend to rise along with sales revenue	Confirmed
3. The incidence of planning is highest in larger firms than in smaller firms	Confirmed
4. Planning incidences will be higher in younger firms than older ones	Not confirmed
5. Planning intensity is related to the major decision makers' years of experience in the organization	Confirmed
6. Planning intensity is related to the major decision makers' level of education	Confirmed

Table VI. Summary results of the propositions

plan strategically (Berry *et al.*, 1990). Preponderance of the firms is older, larger, and has higher average gross revenues implying resource availability for planning by the firms. Access to resources enhances strategic planning (Barney, 1991).

Reasons given for planning support prior research (de Bettignies and Brander, 2007). Securing financing is problematic for organizations (Coleman, 2007). Investors and bankers' requirement that firms plan before finance can be raised (Barringer and Ireland, 2008; Ueda, 2004), can explain the major reason for planning in our study. Similarly, identifying expansion opportunity as a reason for planning confirms studies that suggesting opportunity recognition underpins successful entrepreneurship (Baron *et al.*, 2008). We reason that in a vibrant environment characterized by diversification, planning for expansion may be a survival strategy, akin to planning to reverse potential losses stated by responding companies.

With over half of the firms as prospectors and analyzers, we assume the firms are entrepreneurially oriented (Garvin and Levesque, 2006). We reason such firms will compete in businesses that are relatively dynamic (Sidhu *et al.*, 2004), capitalize on the innovative posture (Kim and Mauborgne, 2004) of prospectors, in order to benefit from new market opportunities (Khalifa, 2008).

Interestingly, we found analysers share characteristics with prospectors in terms of finding and exploiting new markets and product opportunities. Typically, analysers opportunistically combine both aspects of defenders and prospectors. However, given the state of flux in both countries, it makes strategic sense to be more like Prospectors than to compete on defenders' strengths of efficiency and low-cost capacity.

Prospectors in the paper have significantly higher performance than the other firm strategy types. The finding regarding significant relationship between strategy type and performance confirms past research (Khalifa, 2008; Miles and Snow, 1978). Prospectors and reactors rating themselves highest and lowest on market position, respectively, corroborates previous studies suggest innovative firms have strong potential to gain competitive market position (Khalifa, 2008; Kim and Mauborgne, 2004; Sidhu *et al.*, 2004). This is a manifestation of the phenomenal growth of business organizations in the Arabian Gulf region, typified by just a little over 10 percent of the firms reporting a declining market share against competitors.

Surprisingly, our finding regarding strategy type and implementation is inconsistent with previous studies. While competitive parity approach was the most frequently used strategic approach in marketing new products and services by majority of the firms, Upton *et al.* (2001) and Chen and Hambrick (1995) found the firms they studied followed a fairly rapid market timing strategy when introducing new products and services. Perhaps, their firms were relatively more entrepreneurial than ours since entrepreneurial firms are generally forward-looking and more aggressive (Green *et al.*, 2008; Wiklund and Shepherd, 2005). Plausibly, our firms are inhibited by the high level of risks associated with "pioneering role" in product or service introduction, described as dangerous by (Lieberman and Montgomery, 1988).

Concerning our study's propositions, we found support for five out of the six propositions. *P2* can be explained by the fact that increases in sales revenue is generally understood to encourage planning (Berman *et al.*, 1997; Gibson and Cassar, 2002; Schuman and Seeger, 1986). Similarly, a link between an increase in firm size and strategic planning (*P3*) is well established in the literature (Fredrickson and Mitchell, 1984). Resource-based theory (Barney, 1991) can explain *P3*. Larger firms are more likely to plan their activities than smaller firms because they have more resources and greater internal differentiation (Penrose, 1995). *P5* confirms previous findings (Gibson and Cassar, 2002). Human capital theory (Becker, 1964) stressing education and experience of the decision maker can explicate this finding.

P1 indicating variances between planning and industry type, corroborates past studies (Berman *et al.*, 1997; Glen and Weerawardena, 1996). The ongoing diversification programs culminating in emphasis on services explains the prevalence of service firms. *P6* is consistent with previous research about the positive relationship between education and business planning (Lee and Matthews, 1999). We reason that major decision makers who are educated will most likely engage in business planning. It is even more likely that the higher the major decision makers' educational level, the higher planning will be. It is worth noting that over half of the sample posses an undergraduate university degree.

Surprisingly, *P4* that states planning incidences will be higher in younger firms than in older was not supported. *P4* is at variance with past research that indicate as firms become older, their planning intensity diminishes slightly, while younger firms have higher planning intensity (Risseeuw and Masurel, 1994). We explain the contradiction in two ways. First, a preponderance of firms in the study is larger in size and has higher average gross revenues. We reason that access to more resources makes larger firms more likely to plan their activities than smaller firms (Barney, 1991). Second, we surmise that younger firms may plan due to external pressure from banks and investors (Ueda, 2004). In a competitive business environment such as Bahrain and UAE's, we contend it makes strategic sense for both old and new firms to plan.

Managerial implications

Based on our findings, managers must pay heed to planning as a useful tool in the continuing economic transformation in Bahrain and UAE. They must ensure their companies have a planning process in place, first and foremost. It is imperative for managers not to see strategic planning just as a ritual, but rather, as a way for their firms to chart a bright future in rapidly changing environments like the ones in Bahrain and UAE.

Given the predominance of prospectors in the study, managers must be creative in focusing on product innovation and market opportunities. This necessitates experimentation, flexibility, and risk-taking (Sidhu *et al.*, 2004) on the part of managers so that their firms can thrive in changing business environments.

Since prospectors are highest on market position, firms wishing to outperform their competitors must adopt prospector strategies like being innovative and entrepreneurial. This will enable them to locate and exploit new product opportunities and meet new and changing customer needs. However, considering only a small proportion of the sampled firms reported "first to enter" the market approach, urgent top management action is crucial. Management must ensure their companies are proactive in pioneering products and markets.

Planning is essential for both younger and older firms. Younger firms hoping for higher levels of sales and performance exemplified by prospectors in this study should endeavor to plan. Similarly, older firms must plan to forestall future losses in such a dynamic environment.

Our study suggests experience and high-educational level are essential for effective planning. Top management must ensure they possess the requisite experience and education to plan effectively.

Limitations and suggested research directions

This study has limitations which offer avenues for further research. The study suffers from selection bias by focusing on indigenous-owned companies. Future research should extend the study to "expatriate" businesses, and compare planning, strategy and performance of indigenous and non-indigenous businesses in Bahrain and UAE, and in other countries in the Arabian Gulf and the Middle East.

Common method bias stemming from self-reported responses from business leaders and executives in a single survey is another limitation. Future research using methods other than self-reported responses, such as multiple informant survey/respondents, should enhance confidence in the results.

The results did not establish causality and must therefore be treated with caution. Researchers should design studies to establish causality by using longitudinal data.

Only broad demographic links were considered. Other individual and firm variables may influence performance in different ways than indicated here. Research should use a larger regional sample and a longitudinal time frame to enhance the generalizability of our findings.

We only managed to provide a first look at the planning, strategic types and performance of Bahraini and Emirati firms located in the Arabian Gulf. As advised by Glaister *et al.* (2008), various contexts on the planning – performance relationship should be taken into account. Because most indigenous companies in the Arabian Gulf region are family-owned experiencing fast growth, a fruitful avenue of research should involve fast-growth family businesses.

Despite the limitations, our study provides empirical evidence to substantiate benefit the existing understanding that planning is beneficial to business organizations.

Conclusion

We set out to investigate the planning practices, strategic types and performance of locally-owned companies in Bahrain and UAE. Owing to the inconclusive results from prior studies, the relationship between planning and performance was explored. Some of the major conclusions include several of the firms not having a planning process albeit most of the firms can be characterized as long-term planners. Prospectors and analyzers comprised bulk of the firms. Prospectors perform considerably better than all the other strategy types. However, indigenous Bahraini and Emirati firms appear to be generally cautious and not overly aggressive in entering new markets or in taking the lead and being proactive in introducing and marketing new products.

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