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**Faculty of Commerce**  
**Business Administration Department**



***THE RELATIONSHIP BETWEEN STRATEGIC  
PLANNING AND GROWTH IN SMALL  
INDUSTRIAL BUSINESSES IN PALESTINE***  
**CASE STUDY: THE GAZA STRIP**

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

" مَا يَفْتَحِ اللَّهُ لِلنَّاسِ مِنْ رَحْمَةٍ فَلَا مُمْسِكَ لَهَا  
وَمَا يُمْسِكْ فَلَا يُرْسِلْ لَهُ مِنْ بَعْدِهِ وَهُوَ  
الْعَزِيزُ الْحَكِيمُ "

سورة فاطر - آية 2

# **Dedication**

**I dedicate this work to my great parents,  
brothers, sisters, to my perfect  
counterbalance" my wife Eman ", and to my  
two nice sons "Osama and Samah".**

## **Abstract**

The aim of this study was to explore the degree to which strategic planning is related to growth in small industrial businesses in Palestine-The Gaza Strip-case. On one hand the study shed light on strategic planning in the small businesses, its significance, the degree of implementation and use, moreover the participation involvement in setting strategic plans and ability to adapt with the internal and external environment to be taken into consideration; on the other side the study dealt with growth in small businesses focusing on four key competitors dimensions of the growth, which are: expansion of: sales/ revenues, customer/ client based, establishment of new locations/ sites, and staff increases.

The study tried to find if there is a linkage between strategic planning and growth in small businesses.

This study relied mainly on both the analytical descriptive and the field study methods, where a special questionnaire was prepared and designed, then distributed on a sample of (200) small industrial businesses in the Gaza Strip; the researcher retrieved (165) questionnaires out of (200), the received questionnaires were manipulated and analyzed by using the (SPSS) software application for the " Statistical Package for the Social Science", including percentiles values, frequencies, Pearson correlation, One Way ANOVA, Means, and Chi-square.

The outcomes of this study showed that %41.2 of firms prepare strategic plans; where as, %58.8 of firms do not.

The firms have not a formal statement of its objectives and goals, nor have established long-term and short-term objectives and goals and

even have not developed it, moreover there is not wide management participation in formulating the firm objectives and goals, which are not long-term in nature, in addition firms do not take care of formulating strategies well.

The hypothesis results showed that There are no significant differences about strategic planning of the firm due to firm organizational variables such as: the age of the firm, the size of investment of the firm (by U.S Dollars), the period of time which plans cover, the period of time the firm using strategic planning, significant at 0.05

Moreover, There is a significant positive correlation between strategic planning and growth in sales/ revenues, market share expansion, new sites expansion, increasing of staff in the firm at (0.05) level.

Concerning implications and recommendations, the study suggested to focus on using strategic planning as an important administrative tool to improve the abilities of these firms, to adapt with the internal and external environments, in addition to held more advanced training courses and workshops on strategic planning, also the study recommended further studies and incorporate additional growth measures such as return on investment, inventory turnover, return on assets, customer service index, cash flow, and employee turnover.

( 200 )

(165)

(SPSS)

.Chi-square

41.2

. %58.8

$\alpha = 0.05$

.0.05

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# Chapter One

## Background Context



## 1.1 Introduction

Small businesses play a critical role in developing society ,as it use large manpower, adopt new ideas , and it supply society with more developed skilled power which work in a changing environment . It is important to include that this sector increases locally ,and globally. (Stewart,2003).

Nevertheless the scarcity of available data about Small industrial businesses ,the American statistics indicate that over (800,000) small firms start within the year 2002, and it has (53%) of manpower in the private sector and (70%) of all manpower in the U.S.A and Canada , (Stewart,2003).

In Palestine, where the study focuses on; and takes place ,the Palestinians have lived under occupation since 1948.The population of the West Bank and Gaza strip is 3,762,0000 (Palestinian central bureau of statistics-pcbs-,2005), while another 3,737,494 refugees are living in neighboring Arab states (united nations-UN-, 2005).

After the peace agreement and the economic accord in Paris 1994, the Palestinians looked forward to establishing a strong and independent economy. However, The results of these agreements were negative. Incomes decreased 20 per cent during the years 1993-1997 while inflation increased 30 per cent (kanan, 1998).Manufacturing establishments were mainly dominated by small-scale establishments and with low capitalization levels. Statistics indicate that the number of small businesses is of more important to build a strong and independent economy for Palestinians.

This SB ( Small Businesses) increasing locally and globally doesn't prove that these firms are so successful nowadays in this world which is

changing fast almost in all fields. So what guarantees the success of these firms in this sophisticated environment is its ability to find the basic pillars of modern administration concepts, which strategic planning is considered the leader that assures continuous and effective success if it is used well. (Stewart,2003).

Needless to add that, firm's ability to practice strategic planning is important to develop firm and make it more effective in achieving the economical and social goals, subsequently it will develop skills, surpass competitively, and be keen of market conditions, customer needs, and so this firm will achieve ability to compete, develop, and increase performance effectively, this leads to firm growth in revenues, market share, expansion locations, and finally increasing manpower ( Nasser,1999)

## **1.2 Research problem**

Although firms show positive appearance, failure occurs daily. Because small businesses have wide portion of Palestinian economy, the need emerges to diagnose the process of strategic planning in (SI) which is very important to support and strengthen economy.

According to researcher knowledge, there are few studies were done about strategic planning and growth in small businesses.

Because of the lack of the process of strategic planning in small businesses in the Gaza strip, the researcher feels that it is needed to shed light on this vital process.

In successful small business management, authors offer a number of general causes for small business failures .Lack of capital, unplanned expansion, management incompetence, undetermined capital, over – interesting in fixed assets, lack of inventory control, and poor customer service, all are mentioned as typical reasons for small firm closings.

Nevertheless, each of these challenges may be effectively addressed by one endeavor: strategic planning.

A common sentence suggests that individuals don't plan to fail, they fail to plan.

This clearly exists in business, so we can address the problem of this study in the main following question:

**"what is the relationship between strategic planning and growth of small industrial businesses in Palestine-case study: Gaza Strip".**

### **1.3 Research Importance**

1. While small businesses are very important to Palestinian economic structure ( about 97%, see table No.1), it is fair here to shed light on it, in order to measure the contribution of strategic planning in growth of these businesses.
2. The study may help officials in Palestinian National Authority to identify firms' ability to achieve special growth, and this may lead to enhance Palestinian national economy.
3. The study may help directors of boards in small firms and (CEO) (Chief Executive Officers) to develop positive trends towards practicing scientific concept of strategic planning.
4. The study depends on primary sources like personal interviews, questionnaires, which will offer accurate and up to date information.
5. It is expected that the study will expand the body of knowledge inn the area planning and growth relative to small businesses specially.

## 1.4 Research Hypothesis

The study depends on a set of hypothesis aim to grasp the relationship between strategic planning and growth of small businesses which are:

### 1.4.1 The first hypothesis:

There is no statistical differences in respondents' opinions about strategic planning of the firm due to firms organizational variables significant at  $\alpha = 0.05$

From this main hypothesis there are four sub-hypothesis as follows:

#### 1.4.1.1 First sub-hypothesis:

There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the age of the firm.

#### 1.4.1.2 Second sub-hypothesis:

There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the size of investment of the firm (by U.S Dollars).

#### 1.4.1.3 Third sub-hypothesis:

There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time which plans cover .

#### 1.4.1.4 Fourth sub-hypothesis:

There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time the firm using strategic planning.

### 1.4.2 The second hypothesis:

There is a positive relationship between strategic planning and the growth of small businesses.

From this main one there are five sub -hypothesis:

#### 1.4.2.1 First sub-hypothesis:

There is a significant positive relationship between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) at (0.05) level.

#### 1.4.2.2 Second sub-hypothesis:

There is a significant positive correlation between strategic planning and growth in sales/ revenues at (0.05) level.

#### **1.4.2.3 Third sub-hypothesis:**

There is a significant positive relationship between strategic planning and market share expansion at (0.05) level.

#### **1.4.2.4 Fourth sub-hypothesis:**

There is a positive statistical correlation between strategic planning and establishment of new locations/ sites.

#### **1.4.2.5 Fifth sub-hypothesis:**

There is a significant positive relationship between strategic planning and increasing of staff in the firm at (0.05) level.

### **1.5 Research Variables**

Independent variable: strategic planning. Here the strategic planning is concepts which will be converted to indicators, and may need a qualitative analysis

Dependent variables: growth of small industrial businesses, which contains: 1- **Characteristics of the firm (firm size, firm age, industry which the firm belongs to)** 2- Sales/ revenue growth 3- expansion of market share 4- establishment of new locations / sites and 5- staff increases.

### **1.6 Research Objectives**

The study has the following objectives which emerge from the study aim:

- .1 To specify strategic planning in the small industrial businesses, its significance, the degree of implementation and use in small industrial businesses in Palestine.
- .2 To specify to which degree participation involvement in setting strategic plans takes place.
- .3 To specify the strategic planning of the firm due to firm organizational variables such as: the age of the firm, size of investment of the firm (by U.S Dollars), the period of time which plans cover, and the period of time the firm using strategic planning.
- .4 To specify the ability of small industrial businesses to adapt with their internal and external environment to be taken into consideration.

- .5 To specify the relationship between strategic planning and growth in small industrial businesses focusing on four key competitors dimensions of the growth, which are: expansion of: sales/ revenues, market share, establishment of new locations/ sites, and staff increases.
- .6 This study aims to propose recommendations which may improve using strategic planning in small businesses in Palestine in the light of the study results.

### **1.7 Research Methodology:**

Researcher will use analytical descriptive method, as it is considered the most used in social and human studies.

#### **1.7.1 Sources of data:**

The researcher will use three methods for collecting data from two different sources:

##### **1.7.1.1 Secondary Data:**

- Published data search, including papers, documents and other literature related to the issue, e.g.:
- Researches and studies conducted by organizations which are of some important for the small industrial businesses.
- The Palestinian authority ministries supervising small businesses sector.

##### **1.7.1.2 Primary Data :**

- questionnaires to managers of small industrial businesses who have engaged in planning.
- Interviews .

## 1.8 Research population

The study population includes all small industrial businesses in the Gaza Strip, as appears in the following table:

**Number of Establishments in Operation in the Private Sector, Non Governmental Organization Sector and Government Companies by Main Economic Activity and Employment Size Group in the Palestinian Territory, 2004**

**Table ( 1)**

Economic Activity	Employment Size Group								Total
	0-4	5-9	10-19	20-49	10-19	20-49	50-99	100+	
Agriculture (farming of cattle & other animals)	5,539	292	47	3	47	3	0	0	5,881
Mining & quarrying	79	91	31	9	31	9	1	0	211
Manufacturing	10,175	1,964	708	256	708	256	53	21	13,177
Electricity and water supply	468	21	4	7	4	7	4	6	510
Construction	417	170	67	39	67	39	7	4	704
Wholesale, retail trade & repairs	53,184	1,532	275	51	275	51	4	2	55,048
Hotels & esturants	3,863	253	54	18	54	18	3	1	4,192
Transport, storage & communications	546	198	84	31	84	31	8	6	873
Financial intermediation	519	81	67	43	67	43	9	6	725
Real estate,renting & business activities	3,551	266	63	16	63	16	2	4	3,902
Education	1,146	520	167	96	167	96	21	10	1,960
Health & social work	3,200	251	120	71	120	71	19	21	3,682
Other community, social & personal services	5,802	420	139	42	139	42	7	4	6,414
<b>Total</b>	<b>88,489</b>	<b>6,059</b>	<b>1,826</b>	<b>682</b>	<b>1,826</b>	<b>682</b>	<b>138</b>	<b>85</b>	<b>97,279</b>

**Source:** Palestinian Central Bureau of Statistics, (2004)population, housing and establishment Census 2005, final results Report, Rammalla - Palestine

## 1.9 Analysis:

The following will be the main measurement tools that are used in the analysis of contribution to the small businesses' growth.

Following the discussion of the factor analysis, the pattern of factor loading suggests that the factors may be interpreted as information related to main

major aspects of strategic planning skills. However, a reliability analysis will be conducted and Cronbach's alpha for each factor.

Also, part of analysis, cross-tabulation used. Cross-tabulation is one of the simplest and most frequently used ways of demonstrating the presence or absence of a relationship. In data analysis, the cross-tabulation procedure was employed to indicate whether certain variable are associated with each other.

### **1.10 Research Framework**

his study is composed of six chapters, which are as follows:

Chapter 1: concerns with the general framework of the study, it contains the study methodology, and previous studies about strategic planning .

The second chapter deals with the theoretical framework of the study, its title is strategic planning. The third chapter is growth and small businesses in the Gaza Strip. The fourth chapter is : research Methodology.

The fifth chapter: the analytical part of the study. The sixth chapter: findings and recommendations, and finally bibliography .

### **1.11 Previous Studies:**

Many studies conducted on strategic planning which are related to the study, we can get benefit from it:

#### **1.11.1 (Wise, 2005)**

This article titled," Run out of steam? Here's how to create a growth action plan", Looks at why traditional growth tactics have become less effective and why it is necessary to balance short term moves with new business building. Looks at understanding customer priorities. Design/methodology/ approach - Over the next year, the study lays out a practical growth program for managers, balancing short-term moves with new-business building. The article reaches some findings - Growth moves fall along a spectrum of categories ranging from traditional product



innovation to longer-term strategies such as taking core capabilities to new markets. Managing new growth requires an active feedback loop of constantly monitoring the progress of each initiative. Practical implications

- Provides managers with guidelines for growth action plans.

Originality/value - Of particular to strategic planners, CEOs, senior executives.

### **1.11.2 ( Tapinos, Dyson, & Meadows, 2005)**

This article which titled "The impact of performance measurement in strategic planning", is conducted by the authors who investigate the impact of performance measurement in strategic planning process.

A large scale survey was conducted online with Warwick Business School alumni. The questionnaire was based on the Strategic Development Process model by Dyson. The results of this survey indicate that performance measurement stands as one of the four main factors characterizing the current practice of strategic planning. This research has determined that complexity coming from organizational size and rate of change in the sector creates variation in the impact of performance measurement in strategic planning. Large organizations and organizations operating in rapidly changing environments make greater use of performance measure.

### **1.11.3 ( Atallah, 2005)**

The master thesis titled "the reality of strategic planning in the construction companies – Gaza strip-Study case". The aim of this study which was conducted on the construction sector in Gaza Strip was to explore the reality of the strategic planning in the construction companies in light of the clarity of it's scientific concept, it's significance, the degree of implementation and use, also the participation involvement in setting strategic plans and ability to adapt with their internal and external changing environment to be considered. The outcomes of the study showed that

64.5% of the construction companies' managers do not realize the whole scientific concept of strategic planning, but do have a positive opinion towards the advantages of it. In addition, the various use of the available resources also indicate the same.

The researcher concluded that no one can say that certain management approach is better than another. However, culture can learn from each other. Each culture is strong and weak in some dimensions.

#### **1.11.4 (Al-kharoubi, 2004)**

This study titled, "Developed framework is concerning risks of strategic planning for infrastructure", suggests a developed framework concerning the risks' effects of planning, which includes many steps lead to solutions of infrastructure problems in developing countries such as Palestine.

The researcher found that Infrastructure in Gaza has many various obstacles for long time, such as: scarcity of resources, limited financing, risks, ambiguity, and confusion in making decisions.

The study proposes new developed method to create the best solutions for infrastructure fields to gather all factors in one process to help best decision making.

Strategic planning to infrastructure should be coordinated between planners and engineers.

#### **1.11.5 (Naffziger & Mueller, 2004)**

This research titled " Strategic planning in small business : process and content realities " has established that small firms do plan and has generally indicated that planning has value .

However, most strategic plan content research focuses on the development of a written; little seems to be known about the planning process of small firm owners and their management teams.

This research examines what activities are included in the planning process and various aspects of the plan itself.

#### **1.11.6 (Al-Madhoun, 2003)**

The PH.D dissertation titled "Contribution of management training programs to small business' development in Palestine".

Proposes a conceptual framework in the form of a model, in order to provide a holistic approach or view on developing business-related skills , with the hope that it can shed light on existing situation in most management training programs regarding a more effective management style for small business managers in Palestine.

#### **1.11.7 (Stewart, 2003)**

The doctoral dissertation titled "The relationship between strategic planning and growth in small businesses " aims to find the relationship between strategic planning and growth in small business in Atlanta state in U.S.A., where survey research was conducted with a sample population of 121 small businesses in Georgia metropolitan statistical area. The study incorporated a strategic planning and growth model as well as a strategic planning activities questionnaire. The findings of the study include a statistically significant positive correlation between strategic management and growth among small businesses.

#### **1.11.8 ( Anderson, 2003)**

This paper titled "High-growth firms in the Swedish ERP industry", analyses growth patterns in three high-growth Swedish firms (Intentia, IBS, and in the enterprise resource planning (ERP) industry. A multi-theoretical framework is developed and used to analyze the firms' growth. It is concluded that growth is a complex phenomenon that has to be viewed from different theoretical angles to be understood. It is shown that entrepreneurs' intentions, international growth strategies, organic organizations, industry structure and networks, and national cultures are all factors that influence firms' growth .

**1.11.9 (Al-khateeb, 2003)**

The Master thesis titled "Strategic planning and organizational performance "which was conducted on pharmaceutical industry sector in Jordan ,aimed to explore the real situation of strategic planning within this sector; according to the degree of clarity of concept, practice, information resources, and stakeholders in this process, and identify the most important environmental factors affecting this process and the relation between the last one and the organizational performance of these firms according to its assets and market value added. The study concluded that 52% of managers in pharmaceutical industry do not recognize the right scientific concept of strategic planning, and 56% of the sample see that strategic planning is occurred through the top management without participation of other managerial levels, which reflects the attitude of top management to be centralized.

**1.11. 10 (El-Farra, 2003)**

This research titled " Opinions on the strategic managerial behavior of Palestinian manager: case study from the Gaza Strip". This research analyzed the characteristics of strategic management practices from Palestinian manager' point of view in the plastic industrial establishments in the Gaza Strip. The study concluded that, the tactical managerial practices dominated strategic ones. In addition, the study revealed that, there was a positive relationship between strategic management practices from one side and educational level and experiences of managers from the other. furthermore, the study proved positive relationship between strategic management practices and the establishment size.

**1.11. 11 (Abu-Muaamar, 2002)**

The master thesis titled, "strategic planning of human resources as an entrance for increasing efficiency and proficiency in small businesses in small private businesses in the Gaza Strip". This study is about the appliance of scientific techniques of the strategic planning for human

resources in small businesses in the Gaza Strip, as the strategic planning system is considered the best necessary techniques in investing these resources, and maximizing its ability to increase proficiency and efficiency of these businesses.

The research concluded that the absence of strategic planning of human resources in small businesses, also confusion of several planning concepts at top management members like strategic planning , long term planning, strategies and plans, moreover, the absence of correlation and coordination between general strategy and the human resources .The study also concluded that there is a correlation between firm strategy and human resources strategy in Alyazji company, and there is an existence of coordination between firm strategy and human resources in Al-Awda, Shomar, and Majesty companies. But there is not a strategy or management for human resources among the remained firms of the sample. The research proved that the correlation and coordination between organization strategy and human resources strategy will increase the efficiency and proficiency of the organization as a whole, but the ambiguity and confusion of general strategy may lead to shortcomings in human resources strategy.

#### **1.11.12 ( Annajar, 2002)**

The master thesis titled, "Strategic planning in small industrial businesses: Case study – Irbed governorate, 2002"

This study aimed to explore the reality of strategic planning in small businesses in Jordan, in the light of its clarity and practice level. This study tried to identify the nature of this relation concerning some personal and organizational characteristics. The study concluded that just 37% of managers in small businesses had a clear understanding of scientific strategic planning concept, also there is a correlation between manager's educational level and degree of clarity of the strategic planning concept,

another conclusion was that there is a correlation between organizational characteristics (type of industry, legal situation of the organization) and degree of clarity of the strategic planning concept.

#### **1.11.13 ( Al-Omar, 2000)**

The master thesis titled "The impact of strategic planning on developing new bank services in commercial banks in Jordan" examines the impact of strategic planning on developing new bank services, as strategic planning enables commercial banks to explore future opportunities which are promises, and helps in avoiding risks may occur in future in order to adapt with the environmental changes which affect its performance .The population study was conducted on the top management in local and foreign banks in Jordan.

#### **1.11. 14 (Perren, 2000)**

This research paper titled" Factors in the growth of micro-enterprises" examines micro-enterprises pursuing gradual growth. A framework has been developed through this research. First, it has targeted specifically gradual growth micro-enterprises; secondly, it is rigorously under-pinned through empirical research; thirdly, it attempts to comprehensively cover the range of factors that influence development; fourthly, it focuses on the complex interaction of factors that may influence development. The research findings and implications are presented in two parts. Part 1 develops an empirically verified framework that explains how growth is influenced by a myriad of interacting factors. Part 2 is presented in the next edition of the Journal of Small Business and Enterprise Development (JSBED) and will explore the managerial implications of the framework.. The paper is derived from research conducted initially for the submission of a PhD thesis at the University of Brighton (Perren, 1996).

**1.11.15 ( Migdad, 1999)**

This dissertation titled, " Performance analysis of small- scale industries, industrial sector in the Gaza Strip as a part of the New Palestinian Entity". This study examines the performance of the industrial sector in the Gaza Strip. The study compares characteristics of firms as well as performance and efficiency indicators for different types, sizes and local or sub-contracting firms. The study also investigates ; analyses restrictions and problems face the industry in the Gaza Strip, both local and Israeli.

**1.11.16 ( Ennis, 1999)**

This research paper titled "Growth and the small firm: using causal mapping to assess the decision-making process - a case study" examines the issue of growth within the small firm and considers the main influences that impinge on the evolution of the enterprise. An interpretative methodological technique, causal mapping, is examined, evaluated and used to analyze the decision-making processes made by the owner-manager of a small Irish-owned electronics firm. This method allows the researcher to trace the positive and negative consequences of the decisions on the subsequent growth and development of the company. The role which business and marketing planning plays in such a process is a recurring theme which is given close scrutiny throughout this paper.

**1.11.17 (Wheelen, 1998)**

This study titled" the impact of strategic attitude on profitability and productivity" aims to grasp the strategic trend and its impact on profitability and productivity.

The study took three years on (101) retailers and industrial organizations.

Findings showed that firms which implement strategic planning were of good growth indicators in sales and profitability .

The study assures three top benefits of implementing strategic planning

- More clarity of future strategies
- More emphasis on the importance of strategic scope
- More adaptation with changing environment .

#### **1.11.18 (Al-Shammari, 1998)**

This study titled, " Strategic planning in Jordanian industrial shareholding organizations and its linkage to organizational effectiveness".

This study aimed to discover the reality of strategic planning in small industrial businesses registered at Amman financial market, and the readiness of these businesses to effective and successful appliance of strategic planning. This research conducted on 28 managers from top management. The most important conclusions of this study are : 61% of the sample which was 37 industrial firms do not practice strategic planning, but the strategic planning strongly affects firms' effectiveness. The managers have a strong attitude towards strategic planning and the benefits of it although the practice it in intermediate degree.

#### **1.11.19 (Baile,1998)**

This dissertation titled, " A study of strategic planning in federal organization" aimed to identify the relationship between strategic planning and performance of 253 industrial businesses in Georgia in the United States, the study found a strong relationship between strategic planning and, by measuring performance by income on investment, and the growth rate in sales compared with the rate of industry during the last three years.

#### **1.11.20 (Smallbone, leig, North, 1995)**

This study titled, " The characteristics and strategies of high growth SMEs" is based on an empirical investigation of the development of a group of manufacturing SMEs comparing the characteristics and strategies of firms achieving high growth between 1979-90 with the weaker performing companies. Shows that high growth can be achieved by firms with a variety of size, sector and age characteristics, such firms are



distinguished more by the strategies and actions of managers than by profile characteristics. The clearest differences between fast growth firms and other firms are with respect to their approach to product and market development. While high growth firms were above average investors they weren't production-led, instead they were characterized by an ability to make changes in production to complement an active market development strategy. To grow successfully over ten years, firms also needed to develop their internal organizational structure in ways that enabled the leader of the firm to delegate responsibility for operational tasks to become more focused on strategic level functions.

#### **1.11.21 (Chakravarthy, & Lorange, 1991)**

This article which titled "Adapting Strategic Planning to the Changing Needs of a Business" discusses that if strategic planning systems have failed it is because managers have failed to adapt them to the changed contexts of their businesses. Four distinct contexts are identified: Pioneer, Expand, Reorient, and Dominate. The author chooses These labels to indicate the primary challenge for the business unit in each of these contexts. The contexts vary in their risk and in the adaptation and/or integration orientation that they demand of the strategic planning system. Four key elements of the strategic planning system: direction of goal setting, time-spending patterns in planning, the relative importance of the strategic budget, and the linkage between the financial plan and the budgets, are identified. Each can be manipulated to adapt the system to suit the firm's business context.

#### **1.11.22 (Kristenson, 1983)**

This article titled "Strategic Planning in Retail" examines the complexities of strategic planning in retailing. Highlights the importance of a good knowledge of consumer basis as a foundation for a successful retailing strategy. Discusses four main factors contributing towards profit

in the retailing industry: Needs or motives; Attitudes or patterns of consumption; Consumption habits; Purchasing habits. Analyses continual influences which must be considered as part of a coherent retailing program: Synergy effect; Resources; Environmental factors; Changing ways of satisfying needs; The increased complexity of the retailing environment; Competition. Concludes that retailing is an extremely complex subject – whereas a producer is concerned about the various quality dimensions of his own product, a retailer is obliged to take care of a multiplicity of products, each bearing its own characteristics. Asserts that strategic planning is an effort to organize this variety, not an answer to solving it .

**Discussion:**

Literature review of previous studies, shows that most of these studies considered the strategic planning in establishments is very important, in decision making to achieve competitive advantages over rivals, or at least for many establishments to survive.

The researcher concluded through literature review that strategic planning in industrial businesses is still recent the same as in modern management. Moreover, practicing strategic planning is still in top management hands, few studies showed that middle management takes place in business strategies. Businesses are affected by a set of environmental factors, both internal and external.

This study comes to shed light on the relations between. Growth and strategic planning in small industrial businesses in Palestine

As small industrial businesses sector is considered very important for any economy, and due the scarcity of studies about this sector which contributes to work opportunities for, thousands of Palestinian people; this gives this study some special importance.

# Chapter two

## Strategic Planning

## 2.1 Introduction:

This chapter deals with strategic planning; concepts and definitions; To view the difference between strategic planning and long range – planning, and to show what strategic thinking and strategic management is, and theoretical foundations of strategic planning, models of strategic planning, and the steps of strategic planning process, the last part of this chapter is about problems facing strategic planning.

## 2.2 Conceptions and Definitions

Strategic Planning, in the broadest of deciding in advance what you intend to do and how you intend to do it, is not, of course, just a business activity. (Smith, 1990, p.121).

Strategic planning can be defined as the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities. (Robson, 1994, p.15), also William Cook, jr (1988) says "strategic planning aimed at total concentration of the organization's resources on mutually predetermined measurable outcomes". (ericdigests, 2005)

Strategic planning is a management tool. As with any management tool, it is used for one purpose only: to help an organization do a better job - to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. (Bryson,1988)

A word by word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process: The process is strategic because it involves preparing the best way to respond to

the circumstances of the organization's environment, whether or not its circumstances are known in advance; organizations often must respond to dynamic and even hostile environments. Being strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment. McNamara (1999 ).

McNamara (1999 ), argues that; the process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and developing an approach to achieving those goals.

The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future. Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it. Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success.

The strategic planning can be complex, challenging, and even messy, but it is always defined by the basic ideas outlined above.

strategic planning determines where an organization is going over the next year or more and how it's going to get there. Typically, the process is organization-wide, or focused on a major function such as a division,

department or other major function. (strategic planning, McNamara, 1999, management help website,2005)

According to (Wikipedia encyclopedia,2005) strategic planning suggests ways (strategies) to identify and to move toward desired future states. It consists of the process of developing and implementing plans to reach goals and objectives.

Strategic planning takes place primarily in military situations in business activities and in government. Within business, strategic planning may provide overall direction (called strategic management) to a company or give specific direction in such areas as:

- Financial strategies.
- Human resource/organizational development strategies.
- information technology deployments.
- marketing strategies.

Within government, strategic planning provides guidance for organizational management similar to that for business, but also provides guidance for the evolution or modification of public policy and laws. Areas of such public policy include:

- Funding of infrastructure and rate-setting (streets, water-supplies, sewers, and parks)
- Functional plans such as for land use, transportation, and water resources
- Growth management and/ or comprehensive planning

But strategic planning can occur in a wide variety of activities from election campaigns to athletic.(wikipedia, 2005).

### 2.3 Strategic Planning and Long-Range Planning

According to Robson (1994), Fayol in 1916 presented an early attempt at formulating the manner in which to deal with the future. Robson states that, although DuPont and General Motors used his approach, it was not until the 1950s and 1960s that the expansion of both organization size and business opportunities demanded a systematic way of looking at the future. Out of this need long-range planning was born, for the purpose of defining the organizations' objectives and allocating resources to the achieving of them.

Robson adds, during the 1970s, strategic planning replaced long-range planning. Strategic planning was much more closely concerned with market competition since the more limited expansion of markets and products could not support the growth aspiration of all the industry players.

Although many use these terms interchangeably, strategic planning and long-range planning differ in

- their emphasis on the "assumed" environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation. In the late fifties and early sixties, for example, the US. economy was relatively stable and somewhat predictable, and, therefore, long-range planning was both fashionable and useful. (allianceonline, 2005)
- On the other hand, strategic planning assumes that an organization must be responsive to a dynamic, changing environment (not the more stable environment assumed for long-range planning). Strategic planning, then, stresses the importance of making decisions that will

ensure the organization's ability to successfully respond to changes in the environment. (allianceonline,2005)

- Long-range planning and strategic planning are often used as synonyms, but there is a difference: strategic planning aims to exploit the new and different opportunities of tomorrow, in contrast to long-range planning, which tries to optimize for tomorrow the trends of today (Morrison, et al., 1984).
- Long-range planning is usually inwardly focused and consists of monitoring trends of interest to the institution, forecasting the expected future of these trends, defining the desired future for the institution by setting goals, implementing policies and actions, and evaluating the effects of these actions and policies on the selected trends.
- in contrast, strategic planning begins with environmental scanning, a process of studying the external environment via newspapers, literature, and periodicals for emerging issues that pose threats or opportunities to an institution. Each issue is then evaluated with regard to its possible impact. The environmental scan and evaluation are combined with the conventional long-range planning process to produce six stages of strategic planning: (1) environmental scanning; (2) evaluation of issues; (3) forecasting; (4) goal setting; (5) implementation; and (6) monitoring (Morrison et al., 1984). This model allows for both internal and external issues to be considered during the planning process.

Despite the differences between strategic planning and long-range planning, they were both based upon three key assumptions:

- Environmental forecasting is sufficiently accurate to predict the future.



- Strategy formulation is a rational process; objectives can be formulated and alternatives can be identified and optimized.
- Behavioral dimensions can be ignored, (Robson,1994).

## **2.4 Strategic Thinking and Strategic Management**

According to (Nonprofits.org., 2005): Strategic planning is only useful if it supports strategic thinking and leads to strategic management-the basis for an effective organization. Strategic thinking means asking, "Are we doing the right thing?" Perhaps, more precisely, it means making that assessment using three key requirements about strategic thinking: a definite purpose be in mind; an understanding of the environment, particularly of the forces that affect or impede the fulfillment of that purpose; and creativity in developing effective responses to those forces.

It follows, then, that strategic management is the application of strategic thinking to the job of leading an organization creation of an organizational structure which will deploy resources to successfully carry out its competitive strategy.

Strategic management is adaptive and keeps an organization relevant. (allianceonline,2005)

## **2.5 What Strategic Planning Is Not**

Everything said above to describe what strategic planning is can also provide an understanding of what it is not. For example, it is about fundamental decisions and actions, but it does not attempt to make future decisions. Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organization must stay abreast of changes in order to make the best decisions it can at any given point - it must manage, as well as plan, strategically. (Steiner, 1979)

Strategic planning has also been described as a tool - but it is not a substitute for the exercise of judgment by leadership. Ultimately, the leaders of any enterprise need to sit back and ask, and answer, "What are the most important issues to respond to?" and "How shall we respond?" Just as the hammer does not create the bookshelf, so the data analysis and decision-making tools of strategic planning do not make the organization work - they can only support the intuition, reasoning skills, and judgment that people bring to their organization (nonprofits .org 2005).

Also Steiner, (1979) argues that, strategic planning, though described as disciplined, does not typically flow smoothly from one step to the next. It is a creative process, and the fresh insight arrived at today might very well alter the decision made yesterday. Inevitably the process moves forward and back several times before arriving at the final set of decisions.

## 2.6 Characters of Strategic planning

- **Strategic:** In the dictionary, the word strategy has to do with war and deception of an enemy. In nonprofit management, strategy has to do with responding to a dynamic and often hostile environment in pursuit of a public service mission. Thinking strategically thus means being informed and consciously responsive to this dynamic environment. (Stewart, 2003).
- **Planning:** Strategic planning is planning because it involves intentionally setting goals (choosing a desired future) and developing an approach to achieving those goals. (Robson, 1994).
- **Fundamental:** Because it is impossible to do everything, strategic planning implies that some decisions and actions are more important than others. The most important decisions have to do with what an organization is and why it exists; the most important actions have to do

with what it does. On the other hand, strategic thinking is deciding on and carrying out the fundamental, or most important actions, (Robson 1994).

- **Disciplined:** Discipline highlights the relationship between the different steps in strategic planning. Mission depends on environment; which actions are most important are determined by assessing strengths and weaknesses, opportunities and threats. Strategic planning is also disciplined in that there is a sequence of questions typically raised to examine experience and test assumptions, gather and make use of information about the present, and try to anticipate the future environment the organization will be working in. (McNamara,1999).
- **Decision Making:** Strategic planning is based on decision making because in order to answer the questions raised in the structured planning process, choices must be made. The plan ultimately is no more, and no less, than a set of decisions about what to do, how to do it and why to do it, (McNamara,1999).
- **Long Range Plan:** Long range is the longest time period for which it makes sense to make plans. The time period varies from organization to organization: the Social Security Administration must plan for the retirement of today's babies sixty five years from now; high tech computer companies are putting out new products every six months. (Mintzberg,1994).
- **Operating Plan:** Operating plans are the detailed action plans to accomplish the strategic goals laid out in the strategic plan. An organization should have operating plans for each major organizational unit and correspond to its fiscal year. In addition, an organization may

need operating plans which correspond to grant cycles or longer, or cycles that differ from the fiscal year. Each is important. (Lorenzo,1993).

- **The strategy hierarchy:** According to Robson (1994): In most (large) corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm.

### Levels of strategy

Figure (1)



**Source: ( Byars&ets., 1996)**

- **Corporate strategy** It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies.
- **Strategic Business Unit**

Wheelen & Hunger (1998) argued that many companies feel that a functional organizational structure is not an efficient way to organize activities so they have reengineered according to processes or strategic business units (called SBUs). A **strategic business unit** is a semi-autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters. Each SBU is responsible for developing its business strategies, strategies that must be in tune with broader corporate strategies.

Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by

information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process. (Lynch, 2000)

- **Functional strategies:** Include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies. (Mintzberg & Quinn, 1996).

The "lowest" level of strategy is **operational strategy**. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Peter Drucker in his theory of management by objectives (MBO). Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies. (Thompson & Strickland, 1998).

## 2.7 Theoretical foundations of strategic planning

A literature review leads to the classification of strategic planning into normative and descriptive. Normative theory, which is perspective, is divided from the principles and processes school and from the field of management science. Descriptive theory, on the contrary, is typically a more data driven approach that has evolved from a larger body of empirical work including human problem solving behavior and decision making behavior in the firm. (Still, 1974, Stewart, 2003).

Normative theories in general depended on information economics of strategic fit, that suggests firms should adopt policies internally and externally on the basis of potential growth benefits.

Descriptive theories, on the contrary, are often referred to as human information processing approach which employs deductive and empirical methods of information production and use. (Hilton, 1980) .progress have been made by recent studies in combining descriptive and normative theories.

During the 1960's and early 1970's significant developments in management theory resulted in the establishment of a distinct body of theory concerning strategic planning (Mockler, 1970; Wern,1972). These developments coincided with the emergence of the disciplines of management science, behavioral science ,and systems approach ,and have incorporated ideas from each (Still,1974).

A number of concerns have been consistently raised by scholarly researchers regarding the theoretical foundation of strategic planning: (1) lack of formally established, empirically-based descriptive theory of strategic planning behavior in the business environment (Still,1974); (2) dearth of empirical studies about strategic planning practices of the small business; (3) lack of an established theory on the actual differences regarding growth between firms with formalized versus non-formalized planning practices (Rue& Ibrahim, 1998; Stewart 2003) and; (4) low level of integration or synthesis among the various approaches (management science, behavioral science, and principles/processes schools of thought) to strategic planning (Still , 1974 ).

## 2.8 Evolution of strategic planning

The conception of strategic planning is rooted in military history. The Greek word "strategos" means "to plan the destruction of one's enemies through effective use of resources" (Bracker, 1980) and (Smith, 1990). Sun Tuz acknowledged the importance of planning when he wrote "The Art of war", in which he stated,

The general who wins a battle makes many calculations in his temple... The general who losses a battle makes few calculations before hand. It is by attention to this point that I can say who is likely to win or lose. (Philips,1955)

Socrates provided another historic application of strategic planning. He consoled Nichomachides, a Greek militarist, who lost an election to the position of general to a competing businessman. Socrates coached Nichomachides in the idea that both businessmen and generals plan the use of resource to meet objectives (George, 1972, Stewart, 2003).

The need for formal business planning became more pronounced in the twentieth century as businesses transitioned from relatively stable conditions to an extremely dynamic environment. (Stewart, 2003). Over the past 30 years, strategic planning has received considerable attention.

## 2.9 Birth of strategic management

Strategic management as a discipline originated in the 1950s and 60s. Although there were numerous early contributors to the literature, the three most influential pioneers were Alfred Chandler, Igor Ansoff, and Peter Drucker. (Thomas, 1998), (Weelen&Hunger, 1998)

Thomas argues that Igor Ansoff built on Chandlers work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and

horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his classic **Corporate strategy** (1965) he developed the "gap analysis" still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called "gap reducing actions".

According to (Wright, Kroll & Prnell, 1998), Peter Drucker was a prolific strategy theorist, author of dozens of management books, with a career spanning five decades. His contributions to strategic management were many but two are most important. Firstly, he stressed the importance of objectives. An organization without clear objectives is like a ship without a rudder. As early as 1954 he was developing a theory of management based on objectives. This evolved into his theory of "management by objectives" (MBO). According to Drucker (1980), the procedure of setting objectives and monitoring your progress towards them should permeate the entire organization, top to bottom. His other seminal contribution was in predicting the importance of what today we would call intellectual capital. He predicted the rise of what he called the "knowledge worker" and explained the consequences of this for management. He said that knowledge work is nonhierarchical. Work would be carried out in teams with the person most knowledgeable in the task at hand being the temporary leader.

## **2.10 Steps in a Strategic Planning Process**

Many books and articles describe how best to do strategic planning, but our purpose here is to present the fundamental steps that must be taken in the strategic planning process. Below is a brief description of the five steps in the process. These steps are a recommendation, but not the only recipe for creating a strategic plan; other sources may recommend entirely different steps or variations of these steps. However, the steps outlined



below describe the basic work that needs to be done and the typical products of the process. although every strategic planning process is uniquely designed to fit the specific needs of a particular organization, every successful "model" includes most of these steps (quickMBA.com)

The organization begins by identifying its vision and mission. Once these are clearly defined, it moves on to a series of analyses, including external, internal, gap, and benchmarking, which provide a context for developing organization's strategic issues. Strategic programming follows and the organization develops specific strategies including strategic goals, action plans, and tactics. Emergent strategies evolve, challenging the intended tactics, and altering the realized strategy. Periodically, the organization evaluates its strategies and reviews its strategic plan, considering emergent strategies and evolving changes. It usually takes several years before strategic planning becomes institutionalized and organizations learn to think strategically. The Strategic Planning Process graph at the end of this section provides a graphical representation of these steps, (Ansoff,1994).

### **2.10.1 VISION AND MISSION**

Identification of the organization's vision and mission is the first step of any strategic planning process. The organization's vision sets out the reasons for its existence and the "ideal" state that the organization aims to achieve; the mission identifies major goals and performance objectives. Both are defined within the framework of the organization's philosophy, and are used as a context for development and evaluation of intended and emergent strategies. One can not overemphasize the importance of a clear vision and mission; none of the subsequent steps will matter if the organization is not certain where it is headed, (Mintzberg,1996).

### **2.10.2 ENVIRONMENTAL SCAN**

Once the vision and mission are clearly identified, the organization must analyze its external and internal environment, (Lynch,2000). The environmental scan, performed within the frameworks of the Five Forces Model and SWOT, analyzes information about organization's external environment (economic, social, demographic, political, legal, technological, and international factors), the industry, and internal organizational factors, (managementhelp.org, 2005).

### **2.10.3 GAP ANALYSIS**

Organizations evaluate the difference between their current position and desired future through gap analysis. As a result, an organization can develop specific strategies and allocate resources to close the gap (CSUN strategic planning leadership retreat April 1997), and achieve its desired state.

### **2.10.4 BENCHMARKING**

Measuring and comparing the organization's operations, practices, and performance against others is useful for identifying "best" practices, (Mintzberg,1994) .

### **2.10.5 EMERGENT STRATEGIES**

Unpredicted and unintended events frequently occur that differ from the organization's intended strategies, and the organization must respond. Emergent strategy is "a pattern, a consistency of behavior over time," "a realized pattern [that] was not expressly intended" in the original planning of strategy. It results from a series of actions converging into a consistent pattern, (Mintzberg, 1994, p. 23-25).

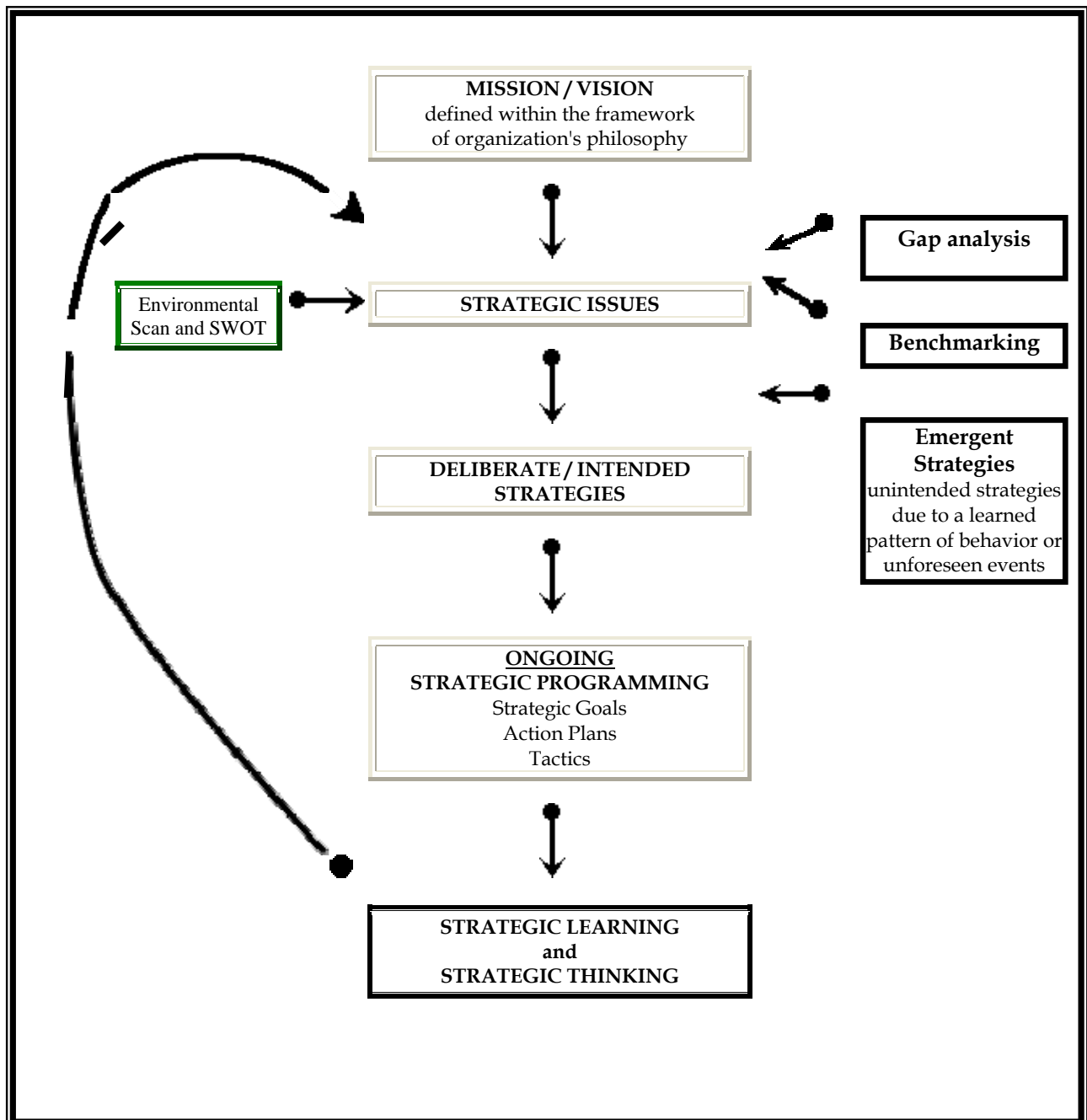
### **2.10.6 EVALUATION OF STRATEGY**

Periodic evaluations of strategies, tactics, and action programs are essential to assessing success of the strategic planning process. It is important to measure performance at least annually (but preferably more often), to evaluate the effect of specific actions on long-term results and on the organization's vision and mission, (Rowley, Lujan, & Dolence, 1997). The organization should measure current performance against previously set expectations, and consider any changes or events that may have impacted the desired course of actions.

### 2.10.7 REVIEW OF THE STRATEGIC PLAN

After assessing the progress of the strategic planning process, the organization needs to review the strategic plan, make necessary changes, and adjust its course based on these evaluations. The revised plan must take into consideration emergent strategies, and changes affecting the organization's intended course, (Smith,1990)

**Figure (2): Strategic Planning Process Model**



\* Source: [www.quickMBA.com](http://www.quickMBA.com)

## 2.10.8 Strategic planning Models

### 2.10.8.1 Basic Models

The following three models are a foundation upon which the subsequent strategic planning models were developed.

These models were created for the business world. One of the most important benefits of these models is flexibility and adaptability. They can be used in a variety.

### SWOT

SWOT analysis identifies factors that may affect desired future outcomes of the organization. The SWOT model is based on identifying the organization's internal strengths and weaknesses, and threats and opportunities of the external environment, and consequentially identifying the company's distinctive competencies and key success factors. These, along with considerations of societal and company values, lead to creation, evaluation, and choice of strategy. SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation (Andrews, 1980, Christensen et al., 1982 in Mintzberg, p. 36-37; Hax & Majluf, 1996, p.27; CSUN strategic planning leadership retreat, April 1997; Hill & Jones, 1992, p. 14).

**Figure (3): SWOT Analysis**

<b>Strengths</b>	<b>Opportunities</b>
<b>Weaknesses</b>	<b>Threats</b>

\* Source: Porter, 1985

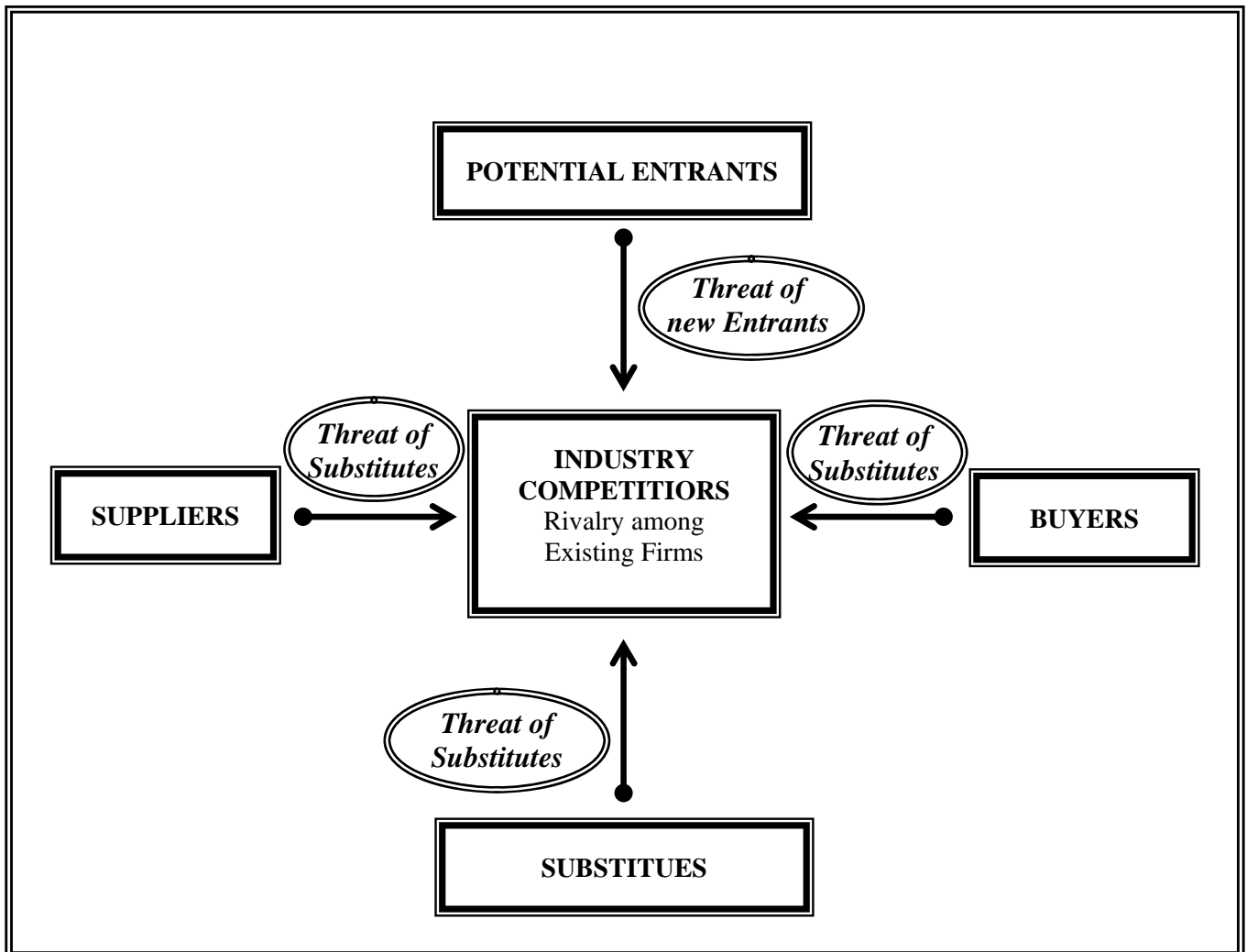
## **ANSOFF**

In Igor Ansoff's model, "strategy ... is designed to transform the firm from the present position to the position described by the objectives, subject to the constraints of the capabilities and the potential" of the organization. This model specifically stresses two concepts. Gap analysis is designed to evaluate the "difference (gap) between the current position of the firm and [its] objectives." The organization chooses the strategy that "substantially closes the gap." Synergy refers to the idea that firms must seek "product-market posture with a combined performance that is greater than the sum of its parts," more commonly known as "2+2=5" formula, (Ansoff, 1965, in Mintzberg, p43-45).

### **2.10.8.2 PORTER'S FIVE FORCES MODEL**

The five forces model developed by Michael E. Porter guides the analysis of organization's environment and the attractiveness of the industry. The five forces include the risk of new competitors entering the industry, threat of potential substitutes, the bargaining power of buyers, the bargaining power of suppliers, and degree of rivalry between the existing competitors (Porter, 1985). Environmental scan identifies external opportunities and threats, evaluates industry's overall attractiveness, and identifies factors contributing to, or taking away from, the industry attractiveness, (Hax & Majluf, 1996, p.27). Through organization's choice of strategy it can alter the impact of these forces to its advantage.

This is a graphical interpretation of Porter's five forces model (Porter, 1985, p. 5).

**Figure (4): PORTER'S FIVE FORCES MODEL**

\* Source: Porter, 1985, p.5

### 2.10.9 A TRADITIONAL MODEL FOR STRATEGIC PLANNING

One of the foremost models used in strategic planning and change management, Lewin's (1951) Forcefield Analysis defines an organizational environment in need of change as a state of imbalance between driving forces (legislation, economic imperatives, competitive pressures) and restraining forces (traditional practices, organizational culture, job insecurity). To achieve change, three steps are required: (1) the driving and restraining forces that hold the organization in a state of equilibrium must be unfrozen; (2) an imbalance must be introduced that enables change to

take place, preferably achieved by reducing the restraints; and (3) the new elements must be refrozen. (Gould, 1998 and nonprofit.org. ,2005).

### **2.10.10 Benefits of Strategic Planning**

Strategic planning serves a variety of purposes in organization, including to Clearly define the purpose of the organization and to establish realistic goals and objectives consistent with that mission in a defined time frame within the organization's capacity for implementation.

1. Communicate those goals and objectives to the organization's constituents.
2. Develop a sense of ownership of the plan.
3. Ensure the most effective use is made of the organization's resources by focusing the resources on the key priorities.
4. Provide a base from which progress can be measured and establish a mechanism for informed change when needed.
5. Bring together of everyone's best and most reasoned efforts have important value in building a consensus about where an organization is going.

Moreover many benefits of planning are patently obvious. An organization simply cannot know what it is doing and what it intends to do unless it periodically establishes and monitors its goals. Strategic planning enables people to influence the future. The very act of planning implies that organizations are more than passive pawns in the hands of socioeconomic forces. (Howel, ericdigests.org , 2005)

Ross A. Wirth (entarga .com, 2005), and (Thomas, 1988), state a list of some of the benefits that can be gained through implementing a strategic planning process:

- Focus is placed on the important things. Resources (time, talent, money) are properly allocated to those activities that provide the most benefit.
- Prove an awareness of the changing environment as a foundation for needed change.
- Analyze the internal business culture and evaluate its impact on the company's performance.
- Recognize the impact the changing business environment is having on the company and affect the needed changes in direction.
- Become aware of the company's potentials in light of its strengths and weaknesses.
- Identify and analyze available opportunities and potential threats.
- May bring about a needed change of direction of the company.
- Strategic issues can be brought up for top management review.
- Able to set more realistic objectives that are demanding, yet attainable.
- A need for better information for decisions making may be recognized.
- Growth can be accelerated and improved.
- Poor performing areas can be identified and eliminated.
- Gain control of operational problems.
- Develop better communications with those both inside and outside the company.
- Provides a road map to show where the company is going and how to get there.
- Develop better internal coordination of activities.
- Develop a frame of reference for budgets and short-range operating plans.



- Gain a sense of security among employees that comes from better understanding of the changing environment and the company's ability to adapt.

**Also added other contributions that strategic planning:** (Perry, Stott, and Smallwood, 1993)

- Provides clearer focus of organization, producing more efficiency and effectiveness.
- Bridges staff and board of directors (in the case of corporations)
- Builds strong teams in the board and the staff (in the case of corporations)
- Provides the glue that keeps the board together (in the case of corporations)
- Produces great satisfaction among planners around a common vision
- Increases productivity from increased efficiency and effectiveness
- Solves major problems

#### **2.10.11 Problems facing Strategic planning:**

Despite the benefits and advantages of strategic planning identified above, not all organizations are willing to formulate strategies.

Thomas (1988) mentioned some barriers to strategic planning which are:

1. Complex, rapidly-changing environments can render plans obsolete before they are completed.
2. Managers are reluctant to establish goals for themselves and their units.
3. Initial problems in planning often result in a negative image of planning.
4. Organizational resources may also be an obstacle to effective planning.
5. Effective planning can be consuming and expensive .

Why strategic plans fail , according to wikipedia, strategic plans can fail for two types of reasons: inappropriate strategy and poor implementation. (wikipedia.org, encyclopedia , 2005)

Inappropriate strategies may arise due to:

- inaccurate intelligence gathering
- failure to understand the true nature of the problem
- strategies incapable of obtaining the desired objective
- poor fit between the external environment and organizational resources
- infeasibility

**Poor implementation of a strategy can happen due to:**

- over-estimation of resources and abilities
- failure to co-ordinate
- ineffective attempts to gain the support of others
- under-estimation of time, personnel, or financial requirements failure to follow the plan

Also Wheelen and hunger (1998) argued that the reasons often cited for the apparent lack of strategic planning practices in many small-business firms are fourfold:

- Not enough time: Day to day operating problems take up the time necessary for long-term planning.
- Unfamiliar with strategic planning: the small –business CEO may be unaware of strategic planning or may view it as irrelevant to the small-business situation.
- Lack of skills: Small-business managers often lack the skills necessary to begin strategic planning and do not have or want to spend the money necessary to import trained consultants.

- Lack of trust and openness: many small-business owner-managers are very sensitive regarding key information about the business and are thus unwilling to share strategic planning with employees or outsiders.

According to Wirth (2005), even with the best of intentions, the strategic planning process can get off track. Here are some pitfalls to watch for, and avoid.

- Jumping from mission formulation to strategy development without sufficient time to determine the critical success indicators embodied in the mission statement.
- Top management fails to communicate the plan to the other employees, who continue working in the dark.
- Management rejecting the formal planning mechanism and making intuitive decisions that may conflict with the formal plan. This also creates confusion for other employees on how the plan is to be employed in their work activities.
- Failing to use the plans as a standard for measuring performance.
- Top management believing that it can create a plan by delegating the planning function to a "planner." While the planner may facilitate the planning process, management must still take ownership of the plan itself.
- Failure to involve key employees in all phases of the planning process (preparation, strategy development, evaluation, and implementation).
- Failure to create a climate which is collaborative and not resistant to change.
- Treating planning as something quite different and not an integral part of the entire management process.

- Becoming so engrossed in current problems that insufficient time is spent on long-range planning.
- Becoming so formal that the process lacks the flexibility and creativity needed to address the uniqueness of each company.

Also organizations may encounter a multitude of problems as they go forward with their strategic planning process. This section discusses several of these difficulties and offers ways to minimize or avoid them. (Mintzberg, 1994, p. 168)

#### **2.10.12 POTENTIAL PROBLEMS**

Strategic planning is an involved, intricate, and complex process that takes an organization into the uncharted territory. It does not provide a ready to use prescription for success; instead, it takes the organization through a journey and helps develop a framework and context within which the answers will emerge. Literature and research has documented extensively the possible problems that may arise during the process. Being aware of these issues and prepared to address them is essential to success: organization's strategic planning effort may fail if these potential pitfalls are ignored. (Mintzberg, 1994, p. 169)

- **Commitment**

One of the major challenges of strategic planning is ensuring commitment at the top, because in some ways, strategic planning reduces executive decision-making power. It encourages involvement throughout the organization, and "empowers" people to make decisions within the framework defined by the strategic planning process. As a result, this shifts some of the decision making from the executive office to the participants.

Commitment of the people throughout the organization "grows out of a sense of ownership of the project" (Mintzberg, 1994, p. 172). Such

commitment is essential to success. Strategic planning implies organization-wide participation, which can only be achieved if people believe that their involvement counts, and that they will benefit from the process.

- **Inflexibility of plans and planning:**

Strategic planning might inhibit changes, and discourage the organization from considering disruptive alternatives (Mintzberg, 1994, p. 178). Planning might inhibit creativity, and "does not easily handle truly creative ideas" (Mintzberg, 1994, p. 180). A conflict lies with a desire to "retain the stability that planning brings to an organization ... while enabling it to respond quickly to external changes in the environment" (Mintzberg, 1994, p. 184).

- **Control**

Strategic planning, if misused, might become a tool for gaining control over decisions, strategies, present, future, actions, management, employees, markets, and customers (Mintzberg, 1994, pp. 201-202), rather than a comprehensive and integrated instrument for bringing the organization to its desired future.

- **Public relations**

Strategic planning may be used as a tool to "impress" "influential outsiders" (Mintzberg, 1994, p. 214), or to comply with requirements for strategic planning imposed from the outside, such as accreditation requirements.

- **Objectivity**

Strategic planning dismisses intuition and favors readily available, interpretable "hard" data (Mintzberg, 1994, p. 191), and assumes that all goals are "reconcilable in a single statement of objectives" (Mintzberg, 1994, p. 193).

- **Politics**

Strategic planning might increase "political activity among participants" (i.e. employees and administration, or individual participants), by increasing conflict within the organization, reinforcing a notion of centralized hierarchy, and challenging formal channels of authority (Mintzberg, 1994, pp.197, 200).

### 2.10.13 AVOIDING LIMITATIONS

#### "Opportunistic planning"

Opportunistic planning allows organizations to be flexible and open to making changes to the strategic planning process, if it becomes necessary in the face of unexpected events and changes in the initial assumptions. "Organizations need a good combination of formal and opportunistic planning. "Organizations that rely exclusively on formal planning could trap themselves in unbearable rigidities." Those who's decision-making capability is entirely opportunistic will be constantly reacting to external forces, without a clear sense of direction" (Hax & Majluf, 1996, p. 35-36).

- **Planners as facilitators**

"Planners should not plan, but serve as" facilitators, "catalysts, inquirers, educators, and synthesizers to guide the planning process effectively" , (Hax & Majluf, 1996, p. 34).

- **Participation**

Organizations should encourage active participation of as many people as possible, including for example: the employees, administration), engaging them in the ongoing dialogue, and involving them in the strategic planning process, to generate a feeling of ownership of the process and the outcomes throughout the organization. (Mintzberg,, 1994, p. 193).

- **Creativity**

Using "a series of incremental steps that build strategies" and integrating them into the entire organization will help to adjusting the course of action of strategic planning with overall organizational vision and strategic issues, while allowing for creativity and flexibility for change (Hax & Majluf, 1996, p. 35).

- **Flexibility**

Strategic tasks should be interpreted "not as rigid hierarchical sequences of actions, but as a useful conceptual framework" for addressing issues essential to the successful operation of the organization (Hax & Majluf, 1996, p. 36).

#### **2.10.14 Criticisms of strategic planning:**

Perry, Stott, and Smallwood (1993), stated some criticisms of strategic planning;

The five most criticisms are:

1. Because strategic planning over specifies means, it lacks flexibility and may exclude or postpone a new and better solution.
2. Planning limits innovation by projecting the past into the future.
3. When resources are allocated based on plans and not on previous performance, the strategic planning process invites managers to play games.
4. Planning restricts learning because it is an excuse for inaction.
5. Planning leads to structural, not behavioral, situations.

The researcher here agree to some extent with these criticisms, but not always these criticisms are true and abide the ability of forms, so it depends on when , how, and what to do and apply of strategic planning.

### **2.10.15 THE FUTURE OF STRATEGIC PLANNING:**

Although Lewin's model remains popular more than 50 years after its initial development, some scholars prefer more dynamic models. Pettigrew and Whipp (1991) developed a model of strategic change that emphasizes continuous interplay between the components of change, differentiating between the inner and outer context: outer refers to external factors such as economic, political and social environments; and inner is concerned with internal influences such as resources, capabilities, and culture. Vaill (1989) asserts that the reason some traditional planning models are becoming outmoded is that the contexts surrounding a situation will not hold still long enough to make a planned course of action feasible. Drucker; as cited in (Lorenzo, 1993, p. 50) explains that organizations can no longer base decisions on what is most likely to happen. They must ask instead, "What has already happened that will create the future?" .

According to Lorenzo (1993), a new planning model must emphasize process over product. As the environment changes, strategic planning must evolve into an ongoing process. Requirements for a new model of strategic planning in organizations also include: (1) producing a clear sense of purpose and an understanding of the organization's relationship to the larger environment; (2) devoting greater attention to measuring effectiveness and improving quality; (3) objectively and systematically monitoring organization and staff attitudes; (4) determining more accurately the external forces that trigger the need for change; (5) designing an environmental scan that reflects the expectations of multiple and diverse constituencies; and (6) providing a means to monitor and influence public opinion.



Planning efforts must also take institutional culture into account. Only by understanding the cultures and subcultures unique to an institution can strategic planning and change management attempt to include all facets of an organization's population. Carter (1998) asserts that "transformation calls for the entire college community to become involved" (p. 441) and describes any major change in the organization as a cultural change. According to Carter, "there are disruptive and uncomfortable dimensions to cultural change ... [but] it can also be a time of tremendous innovation and creativity" (p. 447). What should accompany any effective plan is a set of activities designed to support the process of cultural transformation

#### **2.10.16 Small business Growth measurements:**

Many scholars and studies used quantitative, objective financial measures to determine planning effectiveness, thereby excluding important qualitative measures such as stakeholder satisfaction, new product/service developments, (Greeley, 1986). Ramanujam, Venkatraman, and Camillus (1986) suggest that the effectiveness of planning must be measured according to how well the planning system helps the organization achieves its business objectives. The contrary, a major weakness in the research on small business planning continues to be the operationalization and measurement of performance (Venkatraman and Ramanjuam,1986).

Previous researches have suggested that commercial growth should be determined by using both objective and subjective criteria. For instance, Ramanujam, Venkatraman, and Camillus (1986) and Tosi and Gomez-Meije (1994) recommended that growth should be measured with both financial and non-financial criteria because multiple measures allow for comparisons across criteria. These measures describe small business growth relative to industry averages, growth in sales, and return on investment (Dalton and Kesner, 1985; Hambrick and lei, 1985; Venkatraman and Ramanjuam, 1987).

### **2.10.17 Small Business Planning and Growth Linkage**

According to (Stewart,2003);Over the past 40 years, much of the research conducted on the relationship between planning and organizational growth has focused on two areas of interest:

- 1 the relationship between commercial growth and the content of plans
- 2 the relationship between the planning process and growth .Both have led to controversial results (Schwenk and Sharder, 1993).

Analysis of the content of business plans began with case studies, mostly of large businesses (Hofer, 1976), followed by industry-specific studies (Hatten,1983).

Nevertheless, while most academicians and practitioners continue to acknowledge and support the concept of formal business planning for small business development, the results regarding the linkage between formal business planning and small business growth remain mixed. Despite cited studies and the importance of small businesses to the Palestinian economy, there is surprisingly limited empirical research examining organizational linkages between small business planning and growth.

The present study is designed to fill this gap by exploring the relationship between strategic planning and growth in small industrial businesses.

# Chapter Three

## Growth and Small Businesses

### **3.1 Introduction**

Small businesses are the fastest growth segment of all businesses. These firms employ 57 per cent of the private sector workforce in the USA and produce approximately 45 per cent of the nation's gross national product. ( Helms; Renfrow.2004)

Small businesses growth may be the consequence of the strategic choices of entrepreneurs (Hambrick and Mason, 1984); the ability to make structural adaptations to the growing organization (Hambrick and Cozier, 1985); the ability to overcome barriers to growth (Barber et al., 1989); or the structural characteristics of the external environment (Aldrich and Fiol, 1994).

### **3.2 Economic growth**

#### **3.2.1 Definition**

A positive change in the level of production of goods and services by a country over a certain period of time. Nominal growth is defined as economic growth including inflation, while real growth is nominal growth minus inflation. Economic growth is usually brought about by technological innovation and positive external forces. (wekipedia,2005).

#### **3.2.2 Measuring Growth**

According to Wekipedia (2005): The real GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in that country, and economic growth is therefore often seen as indicating an increase in the average standard of living.

Also Wekipedia (2005) adds: However, there are some problems in using growth in GDP per capita to measure increasing well-being.

In particular, GDP includes things that it shouldn't:

- defensive expenditure to offset the adverse environmental effects of economic growth such as pollution.

... doesn't include some things it should...

- measurement of non-marketed output like housework or DIY. If you hire a cleaner or decorator, their pay is included in GDP. If you do the work yourself, it isn't
- goods on markets which are not observed by statistics agencies. This includes anything from illegal drug deals to minor tax frauds.
- externality effects from traded goods, for instance the effects of fuel use on global warming.

Moreover Wikipedia (2005) adds Other measures of national income, such as the Index of Sustainable Economic Welfare, the Genuine Progress Indicator or Sustainable National Income, have been developed in an attempt to give a more complete picture of the level of well-being and the position with reference to natural depletion, but there is no consensus as to which, if any, is a better measure than GDP.

GDP still remains by far the most often-used measure. One reason may be that a rise in real GDP is correlated with an increase in the availability of jobs, which are necessary to most individuals' survival. A key question in this debate is whether care for the environment and quality of life costs jobs or actually requires more jobs. (Wikipedia,2005)

### **3.3 Success strategies:**

The strategy literature suggests that high growth businesses are characterized by “success strategies”. This implies that growth is an organisational outcome that reflects choices made by managers. Specifically, research suggests that high growth small businesses grow by pursuing a differentiated strategy (Porter, 1980). Many small businesses rely on a few main customers, face a limited number of competitors and

stress the importance of qualitative competitive factors such as personalized service rather than cost and price factors (Cambridge Small Business Research Centre, 1992). New ventures pursuing undifferentiated strategies perform less well than new ventures pursuing differentiated strategies (Sandberg, 1986). The source of the uniqueness that drives the differentiation strategy pursued by high growth small businesses is frequently innovation (Buzzell and Gale, 1987). Small businesses that are technically more sophisticated or technologically more innovative are likely to grow faster (Boeker, 1989). In the context of small rapidly growing businesses, research suggests that new product introductions are positively related to growth (Cambridge Small Business Research Centre, 1992).

Smallbone et al. (1993a; 1993b) suggest that the ability to respond to market changes is an essential prerequisite for the growth of a small business. This ability to move from an initial market position is often reflected in the small businesses' propensity to engage in exporting or in export markets. The literature on small businesses suggests that most small businesses do not export, but exporting may be an important characteristic of high growth small businesses (Cambridge Small Business Research Centre, 1992)

High growth companies grow by building on existing strengths and by emphasizing corporate relatedness (Rumelt, 1979). Businesses that diversify but restrict their range of activities to a central skill or competence show a higher rate of profitability and growth than firms that diversify into unrelated areas (Rumelt, 1979).

### 3.4 Stages of growth:

Small businesses grow by progressing through discrete stages of growth (Kazanjian, 1988) and consequently the ability of the entrepreneur to make structural and strategic changes may determine the growth prospects of businesses. Failure to solve the key strategic “problem” of each stage will prevent the organization from growing. In small businesses' development literature, there are many models which were designed to illustrate development and growth progressing but, while these models are useful in that they simplify the complexity associated with growth, they are inadequate for several reasons. First, they assume that a company must pass through all stages of development or die in the attempt. Many also fail to allow for alternative growth paths, (for example, skipping stages or progressing through stages in a different order to that specified in the model). Second, many of the models fail to capture in detail the important stages in the company's early development and growth. They progress rather simplistically from “birth” to “growth”, offering little explanation as to why the characteristics of a particular stage emerge. The determinants of a firm's position in a particular phase of growth and the factors that cause it to shift from that stage to another one are, at best, implied. Third, most models fail to take into account the role of industry, technology and other situational variables. Their proponents imply that they can be applied to all organizations, regardless of context. Finally, many of the models characterize growth in terms of sales (although some mention number of employees) and fail to consider value added, complexity of the product line, production technology or the number of locations. (Sexton and Bowman-Upton, 1991).

Growth from one stage to another may be prevented due to “barriers to growth” (Cambridge Small Business Research Centre, 1992). The ability of managers to overcome these barriers to growth may

determine the growth potential of the business. These barriers include finance (Cambridge Small Business Research Centre, 1992); industry factors such as the level of demand and the intensity of competition (Cambridge Small Business Research Centre, 1992); the cost of labor and labor legislation (Bosworth, 1989); internal factors such as the managerial skills of the entrepreneur (El-Namaki, 1990); and the personality and managerial style of the entrepreneur (Baumback and Mancuso, 1993).

### **3.5 Industry factors as determinants of growth**

Organizations are constrained by the external environment they operate in and consequently organisational growth can be explained in terms of these environmental forces (Aldrich and Fiol, 1994). Industry factors have a significant impact on both levels of profitability and the levels of growth (Porter, 1980). For those businesses that achieve growth, profitability may be inherent in the growth itself and not due to managerial choices (MacMillan et al., 1982). Other research has suggested that periods of high demand conditions, such as industry growth and industry maturity, increase the chances of organizational survival (Carroll and Delacroix, 1982) and the growth prospects of businesses (Eisenhardt and Schoonhoven, 1990).

### **3.6 Determinants of growth: initial factors**

Among the “initial” factors, scholars consider the influence of socio-economic factors such as educational attainment, previous business experience including family background in business and years in business, reliance on bank finance and informal sources of finance at start-up. The impact of socio-cultural factors like the hours worked in the early years of the business, the country of origin of the entrepreneurs. (Anuradha Basu, Arati Goswami, 2004)



## 3.7 Small Businesses

### 3.7.1 Definition:

According to Nasser (1999) there are several definitions as to what constitutes a small business. Different terms such as family business, micro-enterprise, household firms, informal sector, have all been used to identify the same productive units, while the same terms have also been used to define different productive units. There is no single agreed definition of a 'small ' firm or enterprise . The definitions are as diverse as the types of small enterprise, manufacturing or other, existing in the developing world .A firm considered small in one country may be considered very large in another, and a firm considered small in one sector of the economy may be considered large in another sector. The following is a partial list of the various definitions of what is considered to comprise a small business firm or enterprise.

- a) Steinhoff (1978) quotes the American Small Business Act of 1953 definition, where a small business is " one which is independently owned and operated and not dominant in its field of operations." He adds small business firms are characterized by: independent management. Usually the managers are the owners. Capital is supplied and an individual or a small group holds the ownership. The area of operation is mainly local, with workers and owners living in one home community. Relative size of the firm is small within the industry when compared with the biggest unit within its field .This measure of size can be in terms of sales volume, number of employees, capital investment, assets, or other.
- b) A small business enterprise is one that is owner-managed and independent, the characteristics of which are:
  - lack of individual market power.

- lack of access to the stock market for funds.
  - Undifferentiated management structure
  - Owner manager makes all decisions. (Ray and Hutchinson, 1986).
- c) A definition by the European Union (EU) of small and medium enterprises (SMEs), and one which has become widely adapted by researchers, uses the number of employees as direction to distinguish between firms of different sizes, irrespective of the industrial sector in which the firm operates. Three categories are distinguished by the following:

**Table (2)**

Category of enterprise	Number of employees
- Micro enterprises	0-9
- Small enterprises	10-99
- Medium enterprises	100-499

This approach allows us to distinguish features of enterprises that vary with degree of smallness such as:

1. Practices of hiring and firing.
2. Pricing strategies.
3. Investment strategies.
4. Competition.
5. Collusion.
6. Innovation

This approach also allows us to show changes over time in the size and composition of the small firms sectors. However, there are shortfalls of such a definition given the diversity within the small business sector, such as:

1. Business activity
2. Organizational structure

3. Patterns of ownership (Sloman and Sutcliffe,1998)
- d) little, Mazumdar and page define small enterprises as this with fewer than 50 workers, enterprises with less than 10 workers as 'very small' and those with less than 5 workers and who operate in the home or workshops as 'cottage shops' (Mead , 1991)
- e) The definition used by USAID for micro-enterprises is an enterprise with 10 or less employees, along with a set of descriptive characteristics on assets, revenues, location, etc. (Mead, 1991).
- f) The definitions used by South Eastern of Asia, where these countries have found definitions which differ from that of British one, the following table shows definitions in five of these countries:

**Table (3)**

<b>NO</b>	<b>country</b>	<b>standard</b>
1	Indonesia	Less than 19 employees
2	Malaysia	Less than 25 employees
3	Philippines	Less than 99 employees
4	Singapore	Less than 50 employees
5	Thailand	Less than 50 employees

Source: [www.pnic.gov.ps](http://www.pnic.gov.ps)

- g) The British definition set by the 1971 Bolton Committee (The Committee of Inquiry on small firms) established both an economic and statistical definition of a small firm .The economic of definition stated that a firm was considered small if it is satisfied each of the following three conditions:
- It should have a small market share and thus be unable to influence its business environment.
  - It should be managed by its owners and not involve a formalized management structure.

- It should not be part of a large business organization and can thus make its own business decisions.

The statistical definition varied according to sector. Employment was used to identify size in manufacturing (200 and less), construction, mining, quarrying and motor trades (25 and less). In the small services sector, for firms such as retailing and wholesaling, turnover (\$450,000 and \$ 1.7 m respectively) was used. For road transport, business assets were the identifying variable (Sloman and Sutcliffe, 1998).

### **3.8 Small Businesses' Contributions for the Development**

According to Al-Madhoun (2003), There is no one right way to do enterprise development. There are lots of wrong ways in providing assistance that does not really help, or in providing help that is useful but is very expensive, and that therefore cannot be generalized or sustained and that gets in the way of developments that could provide assistance to more people (Al-Madhoun , 2003; Liedholm, and Mead, 1999).

Why are such enterprises worthy of study? To answer this question Liedholm, and Mead (1999) state that small businesses have the potential to contribute in a number of important ways to the development process. Among the most significant of these are the following:

1. Contribution to household income and welfare.
2. Contribution to self-confidence and empowerment of the individual.
3. Contribution to social change, political stability, and democracy.
4. Contribution to distributional or developmental objectives.
5. Contributions in the area of demographic change.

In recent years, approximately 40% of the increase in the labor force in developing countries have found work in small businesses (Liedholm, and Mead, 1999). On the other hand, the closure rates in the

developing countries of small businesses however between 9 and 10 percent per year (Liedholm and Parker 1989).

From the above discussion, there are different types of enterprises that have different valid and important contributions to make to the development process, that face different needs and can be helped in different ways. The design of effective policies and programs must be built on an understanding of that complexity

There are 30,620 establishments in the Gaza Strip, where 83,778 work in them, 74,585 are male workers where as 9,193 are female

**Number of Establishments in Operation and Persons Engaged in the Private Sector, Non Governmental Organization Sector and Government Companies by Main Economic Activity and Region, 2004**

**Table (4)**

Economic Activity	Gaza Strip			
	No. of Est	No. of Persons Engaged		Total
		Male	Female	
Agriculture, farming of cattle& other animals	965	2,197	38	2,235
Mining&quarrying	2	4	0	4
Manufacturing	3,732	17,435	643	18,078
Electricity and water supply	349	1,185	19	1,204
Construction	375	2,660	107	2,767
Wholesale,retailtrade&repairs	17,696	31,997	1,129	33,126
Hotels & resturants	1,200	2,805	144	2,949
Transport, storage & communications	270	1,358	143	1,501
Financial intermediation	228	965	245	1,210
Real estate,renting & business activities	1,601	3,524	450	3,974
Education	646	2,512	2,792	5,304
Health & social work	1,133	3,242	1,527	4,769
Other community, social & personal services	2,423	4,701	1,956	6,657
<b>Total</b>	<b>30,620</b>	<b>74,585</b>	<b>9,193</b>	<b>83,778</b>

**Source:** (PCBS, 2004)

## **3.9 Current situation in Palestinian territories**

### **3.9.1 Introduction**

The economy of the Palestinian Territories (PT) is small, poorly developed, and highly dependent on Israel; at the same time, the land is limited, Israel controls 80-85% of the Palestinian water, and there is large-scale unemployment. Faced with the situation, small businesses have come to play a critical role in the PT economy.

To support the peace process, the international community promised to support the Palestinian economy. Part of this aid has been spent for small businesses development, (Al-Madhoun,2003).

### **3.9.2 The Small Business Enterprise Sector**

According to (Nasser,1999), from the start of occupation, the Israeli authorities actively restricted the establishment of industrial and agricultural enterprise.

The means of restricting growth in the manufacturing sector was simple and straightforward; the Israeli authorities refused to grant licenses to entrepreneurs to establish productive enterprise. The firms that were granted licenses were those that offered no threat of competition with Israeli producers, or those that complemented and served Israeli producers (such as the clothing industry), this is indicated by Israeli data showing a slight increase in the number of industrial establishments in the West Bank from 2,332 in 1978 to 2,363 in 1986, falling to 2,146 by 1993. For the same years, the numbers for Gaza were 1,370, rising to 1,725, and then falling to 1,712 ( Israel Central Bureau of Statistics, Statistical abstract of Israel, 1979,1987 and 1994). Only service enterprises were permitted to flourish, mainly retail trade in the form of unlicensed corner or village shops, a significant number of which are operated from home.

### 3.9.3 Background information

The west bank (WB) and the Gaza Strip (GS) are parts of Palestine, which was entrusted to Britain by mandate of the league of National in 1922. In 1948, the Israelis occupied Palestine except the WB, including Jerusalem (EJ) and the GS, and established Israel. After the occupation, the GS came under Egyptian control, and the WB become part of Jordan, till the 1967 Arab-Israeli war. After the war, Israel occupied the WB and the GS (WBG) which are widely known as Occupied Territories (OT). The occupation of the WBG continued from that time until the peace treaty between Israel and PLO in 1993, which led to the Oslo agreement and the Paris economic protocol in April 1994. (Al-Madhoun, 2003)

In Summer 2005, Israel pull out from Gaza Strip where 7500 Israeli settlers were controlling 30% of the land, ending 38 years of one of the longest occupation in the modern history. ([www.alqassam.com](http://www.alqassam.com))

The WBG has a combined area of about 6000sq. km. The population of the WBG is 3,762,000 (Palestinian Central Bureau of Statistiucs.PCBS, 2005), while another 3,737,494 refugees are living in neighboring Arab States (UN, 2005).

On the other hand, the Gaza Strip is the name given to the strip of land on the Egyptian-Palestinian border, occupied by Israel during the 1967 Arab-Israeli war. It is located on the eastern shore of the Mediterranean Sea. Measuring only 360 sq. km. in area, in 1993 the GS was home to about 830,000 people (Roy, 1995). The population of the GS increased to 1,022,207 Palestinians in 2000 (PCBS, 2003). Consequently, the Palestinian population of the GS has controlled of all GS after the Israeli pull out from Gaza in Summer 2005. More than 746,000 of the Palestinians are registered as refugees (UNRWA, 1998, p.1). A high number of Palestinian refugees fled to the GS during the

1948 Arab-Israeli war. The high growth of its population and the returnees after the 1992 Gulf war and the 1993 peace treaty make the GS one of the most densely populated areas in the world. The population of the GS is predominantly young, 59.2 % of the population is under the age of 15 (Al-Madhoun,2003).

### **3.10 General Performance of the Palestinian Economic:**

Final results of the national accounts data from 1994 to 2000 (which cover total economy indicators of this period) revealed an oscillating development regarding the gross domestic product (GDP) different to the economic and political situation of Palestine at that time. Actual gross domestic product (GDP)of the Gaza Strip and the West Bank increased from 1994 to 2000 in the rate of 36%, the highest development rate signed by the Palestinian economy was 12.2% in 1997, the lowest (-5.4%) in 2000, (PCBS,2003).

Total development in 1997 was a result of the development that has taken place in many activities of transporting, storing, and communications in the rate of 35.2%. Number of employees of organized transporting sector increased in 1997 in the rate of 52% compared to 1996. When the Communication Company started working in 1997, communication sector in the Palestinian territories developed. In addition to these three sectors, financial intercession and insurance sector has developed in the rate of 39.8% in 1997 compared to 1996; number of organizations increased in 1997 in the rate of 50% (the highest percentage ever) compared to 1996 because of starting working of the stock exchange and the increasing number of the financial organizations resulting in increasing employment in 1997 more than any other sector.

1997 was the first year activities of companies owned by government were observed and registered which is another important reason



expressing the high rate of development in 1997; this high rate helped easing the situation after the 85-day closure in the West Bank and the 70-day closure in the Gaza Strip, it also helped easing the economic stagnation of the Palestinian economy from 1995 to 1996, ( PCBS,2003).

Political instable situation of the Palestinian society was of a high importance concerning development; continual all out closures which reached a climax in 1996 negatively affected the Palestinian economy causing a state of sever economic stagnation in which development rate was no more than 2.5% in the constant prices.

Palestinian economy suffered also from the deteriorating political situation in the last quarter of 2000; development rates prominently decreased and the gross domestic product (GDP) of the Palestinian territories, in constant prices, decreased in the rate of 5.4%, (PCBS,2003).

Data indicated an increase of the value in constant prices comparing to the market prices of the Palestinian territories, however this situation opposed predictions since it was supposed that market prices were to decrease according to the change of the exchange rate; the main reason of this increase is that the special Palestinian situation, since all data were registered in the Israeli shekel then exchanged in the US dollars; except of 1995, exchange rate of shekel to US dollar decreased, ( Migdad, 1999).

### **3.10.1 Total Indicators:**

Results of time chain provided with constant prices from 1994 to 2000 indicated that the value of the total indicators (total local production, gross national income (GNP) and gross domestic income (GDP) reflected an increase in development rates year after year. See next table  
(In million dollars)

**Table (5) Total Indicators**

indicator	1994	1995	1996	1997	1998	1999	2000
<b>GDP</b>	3.289.9	3.490.4	3.577.0	4.011.9	4.485.8	4.883.4	4.619.2
<b>GNP</b>	3.765.1	4.099.3	4.149.4	4.663.2	5.391	5.842.6	5.426.5

Source : (PCBS,2003).

2- Relative consuming of the most prominent economic activities in gross domestic product (GDP) in the Palestinian territories from 1994 to 2000: Results of time chain provided with constant prices reflected the type of services of the Palestinian economy; services sector signed the highest rate of participating in the gross domestic product (GDP) followed by the activity of industry; the lowest rate of participation was signed by financial intercession sector. Next table illustrates economic activities participation rates in the total local production, (PCBS,2003).

**Related consuming of economic activities in the gross domestic product (GDP) in the Palestinian territories in market prices from 1994 to 2000 (%)**

**Table (6)**

Economic activity	1994	1995	1996	1997	1998	1999	2000
Agriculture and fishing	12.3	11.1	12.2	10.8	11.3	10.3	9.5
Mining, transferring industries, & water	21.3	20.0	17.0	15.4	15.6	14.9	15.7
Building	10.5	8.7	9.2	7.7	7.9	10.0	5.6
Retail & wholesale trade	17.3	15.3	11.4	11.7	10.6	11.4	11.7
Transporting, storing, & communications	4.5	4.5	4.1	4.7	4.9	4.7	5.1
Financial intercession	1.0	1.8	2.0	2.6	2.9	3.3	4.1
Services	22.8	21.7	21.6	22.0	21.9	22.2	23.5
General administration and defense	10.0	10.9	11.9	11.4	10.9	11.3	13.3
Domestic services	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	0.1	6.0	10.4	13.4	13.8	10.7	11.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: [www.pinc.gov.ps/English/economy](http://www.pinc.gov.ps/English/economy)

### 3.10.2 Economical performance throughout the years ( 2001 -2003)

The Israeli aggression against the Palestinian people in 2001, and it increased in 2002, as the Israeli forces invaded GS and destroyed the infrastructure, as a result the whole economical indicators have been deteriorated and GDP decreased after a good period of economical growth in the Palestinian economy in the transitional period. (PCBS, 2003).

### 3.10.3 Gross Domestic Production (GDP) and Gross National Product (GNP):

The gross value of GDP decreased in the (PT) in 2001, which was 4325.7 US\$ million, it means 11.4% lower than the year 1999, and 6.4 % lower than the year 2000. (PCBS, 2003)

The statistics indicate that the value of (GDP) reached its lowest level in the year 2002, it was 4169.3US\$ million its fallback was 14.6% lower than the year 1999 and 3.6% than the year 2001, and the fallback continued increasing compared with 1999, but few little than the year 2002 due to the better security circumstances and easiness of the running procedures in the year 2002,like closures, permissions to Palestinian manpower to work in Israel ,opening roads and checkpoints ,easiness of taxes policy and others, so the GDP was about 4301.2 US\$ million, and the fallback ratio compared with the year 1999 was about 25.48 %.

(GNP) in (PT) was 4817.4 US\$ million in the year 2001,its fallback was 17.5% than the year1999 and 11.2% less than the year 2000, it was 4570.7 US\$ million, and increased a bit in the year 2003 to reach 4760.5. see table (7)

### 3. 10. 4 The major economical indicators in the PT from the year 2001 to the year 2003 (In million dollars)

**Table (7)**

indicator	2001	2002	2003
GDP	4325.7	4169	4301.2
GNP	4817.4	4570.7	4760.5

source: (BCPS,2004)

related to the distribution of GDP and GNP by governorates , the northern governorates contribute with the large portion to GDP and GNP, it is 71% of GDP, and 72% of GNP, while the southern governorates contribution of the GDP was 1219US\$ million in the year 2003, and 1290 US\$ million Of the GNP in the same year. see table (8)

### The major economical indicators in GS from the year 2001 to 2003

**Table (8)**

indicator	2001	2002	2003
GDP	1204	1112	1219
GNP	1265	1172	1290

Source: (Palestine monetary authority, 2003)

### 3.10.5 The Economical role of small businesses in (WB) and (GS):

Percentage Contribution to GDP by Economic Activity in Palestinian Territory 1994-2000

**Table (9)**

Economic activities	1994	1995	1996	1997	1998	1999	2000
Agriculture and fishing	12.3	11.1	12.2	10.8	11.3	10.2	9.5
Mining, manufacturing, electr. and water	21.2	20.0	17.0	15.4	15.6	14.9	15.7
Construction	10.5	8.7	9.2	7.7	7.9	11.0	5.6
Wholesale and retail trade	17.3	15.3	11.4	11.7	10.6	11.4	11.7
Transport	4.5	4.3	4.1	4.7	4.9	4.7	5.1

<b>Economic activities</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Financial intermediation	1.0	1.8	2.0	2.6	2.9	3.3	4.1
Other services	22.9	21.6	21.6	22.0	21.9	22.2	23.5
Public administration and defense	10.0	10.9	11.9	11.4	10.9	11.3	13.3
Households with employed persons	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public owned enterprises	0.0	0.0	0.9	2.2	2.7	3.6	4.1
Less: FISIM	-0.6	-1.0	-1.7	-2.1	-2.3	-2.6	-3.2
Plus: Customs duties	0.0	1.5	5.4	6.6	6.7	4.5	4.6
Plus: VAT on imports, net	0.6	5.5	5.9	6.8	6.9	5.1	5.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ( PCBS, 2004)

**Table (10)**

**Percentage Contribution of Economic Activity to GDP in the  
Palestinian Territories 2001, 2002\***

<b>Economic activity</b>	<b>Palestinian Territory%</b>	
	<b>2001</b>	<b>2002</b>
Agriculture and fishing	8.3	9.2
Mining, manufacturing, electricity. and water supply	14.8	14.1
Mining and quarrying	0.5	0.5
Manufacturing	11.8	11.3
Electricity and water supply	2.5	2.3
Construction	4.4	3.8
Wholesale and retail trade	9.4	10.6
Transport, storage, and communications	7.4	7.9
Financial intermediation	3.8	3.7
Other services	24.9	26.1
Real estate, renting and business services	12.1	13.4
Community, social and personal services	0.8	0.8
Hotels and restaurants	1.2	1.0
Education	7.3	7.4
Health and social work	3.6	3.5
Public administration and defense	13.9	13.4

Economic activity	Palestinian Territory%	
	2001	2002
Households with employed persons	0.2	0.2
Public owned enterprises	4.3	3.2
Less: FISIM	-3.0	-2.7
Plus: Customs duties	5.5	5.1
Plus: VAT on imports, net	6.0	5.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: ( PCBS,2004)

### 3.11 The importance and the role of small businesses in (WB) and (GS) :

As we notice in table (1 in chapter 1), small businesses consist about 97% of Palestinians establishments, so it plays a crucial role in the Palestinian economy.

According to (Nasser,1999), Small businesses play important and critical role in the Palestinian economy as follows:

#### 1- Cheap resource in creating new jobs:

many local and international studies proved that small businesses are capable of creating new jobs if they are compared to large businesses, taking into consideration the invested capital .

#### 2- A good adaptor of skills and new inventions:

Small businesses give golden opportunity to well skilled and creative people who have limited financial resources, to achieve their dreams in having their own business.

#### 3- Helpful factor for social and political stability:

Small businesses give the opportunity to people who are considered living on margin to be powerful via establishing their own small businesses.

#### 4- Feeding large businesses with new ideas:

Small businesses enhance and feed large businesses with spare parts or support services which large businesses don't produce. for

example many of car and planes factories in USA and Japan depend on small businesses around to obtain parts from them.

**5- Small businesses are adaptive:**

Small businesses are characterized with more ability than large businesses which have huge invested fixed capital in adapting with emergence conditions which any economics may face .

**6- Using simple savings:**

As small businesses need a humble and simple invested capital, entrepreneur who have little savings can employ them through establishing micro scale businesses.

**7- A tool to engage women in economical activities:**

As women in Palestinian society have little amount of savings, and due to the limited alternatives they find, small businesses give them the opportunity ,as these businesses don't need high administrative skills nor large capital .

# Chapter Four

## Research Methodology

- ✎ **Introduction**
- ✎ **Methodology for Data Collection**
- ✎ **Research population**
- ✎ **Research sample**
- ✎ **Study Tool**
- ✎ **Questionnaire Validity**
- ✎ **Statistical Manipulation**



## **4.1 Introduction**

This chapter describes the study methodology, study population and its sample, study tool used and how it is prepared, its reliability and validity. It also includes a description to the procedures that the researcher has conducted to apply the study tools. And finally the statistical manipulation that the researcher relied on in his study analysis.

## **4.2 Methodology for Data Collection**

The researcher uses the descriptive analysis method which tries to describe and assess strategic planning practices in small businesses and propose more effective practices to increase the efficiency of strategic planning which assist small businesses to growth. The descriptive analysis method compares and explains and evaluates in order to generalize meaningful results to enrich knowledge in this regard. This methodology scans past studies to make full use of them when applied to diagnose strengths and weaknesses and looks forward to the threats and opportunities of the future, and predicts the outcomes of the study in the coming stages.

## **4.3 Research population:**

The research population consists of 2951 establishments, those who work in the strategic planning process in small industrial businesses in Palestine -Gaza Strip.

## **4.4 Research Sample:**

The researcher chose the sample study using the random sample that included 200 questionnaires from the study society involved in the process of strategic planning in Palestinian firms in Gaza strip which represents 7% of small industrial establishments. The(200) questionnaires were distributed but the received were just 185, and the valid

questionnaires for statistical manipulation were 165. Classification of firm types are shown in the following table:

Table (11): The classification of Industry to which the firm belongs, 100% of sample belongs to industrial firms.

**Table (11)**

<b>Firms classification</b>	<b>Frequency</b>	<b>Percentage</b>
Industrial	165	100
<b>Total</b>	<b>165</b>	<b>%100</b>

The following table also shows the units which develop strategic plans in firms. It shows that %52.1 of the employees in units which develop strategic plans in firms are the top management. Whereas %44.8 of the employees in different levels participate in developing strategic plans. Furthermore %3.0 of employees in units which develop strategic plans in firms are from the Strategic Planning committee that was formed by the top management.

**Table (12)**

**The units which develop strategic plans in the firms**

<b>The unit practices strategic planning</b>	<b>Frequency</b>	<b>Percentage</b>
Strategic planning committee which was formed and their members were chosen by top management	5	3.0
Central planning Department	0	0.0
Top management	86	52.1
Different levels participate in strategic planning for the firm	74	44.8
<b>Total</b>	<b>165</b>	<b>100.0</b>

Table (13) shows that %41.2 of firms prepare strategic plans; whereas, %58.8 of the firms do not.

**Table (13)**  
**To what extent do firms prepare written strategic plans**

<b>Does your firm do strategic plans</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	68	41.2
No	97	58.8
<b>Total</b>	<b>165</b>	<b>100.0</b>

Table (14) shows that %16.2 of the strategic plans duration is less than one year, %35.3 of strategic plans duration is from one to three years, and %48.5 of strategic plans duration is four years.

**Table (14)**  
**The time period which strategic plans cover**

<b>Time Period which strategic plans cover</b>	<b>Frequency</b>	<b>Percentage</b>
Less than one year	11	16.2
1-3 years	24	35.3
4 or more years	33	48.5
<b>Total</b>	<b>68</b>	<b>100.0</b>

Table (15) shows that %50.0 of firms use written strategic plans for seven or more years, %9.1 of firms use written strategic plans for four to six years, %9.1 of firms use written strategic plans for one to three years, and %2.4 of firms use written strategic plans for less than a year .

**Table (15)**  
**How long has the firm been using written strategic plans**

how long has the firm been using written strategic plans	Frequency	Percentage
Less than one year	4	2.4
1-3 years	15	9.1
4-6 years	15	9.1
7 or more years	34	50.0
<b>Total</b>	<b>68</b>	<b>100.0</b>

As for table (16) . it shows that %23.6 of the firms use external consultancy to develop strategic plans; while %76.4 of the firms do not.

**Table (16)**

**If firms use outside consultants in developing strategic plans**

Do firms use outside consultants in developing strategic plans	Frequency	Percentage
Yes	39	23.6
No	126	76.4
<b>Total</b>	<b>165</b>	<b>100.0</b>

Table (17) shows that %28.5 of firms allocate appropriate resources for strategic plans, yet %71.5 do not.

**Table (17)**

**If firms allocate suitable resources to strategic planning:**

Do firms allocate suitable resources to strategic planning	Frequency	Percentage
Yes	47	28.5
No	118	71.5
<b>Total</b>	<b>165</b>	<b>100.0</b>

#### 4.5 Questionnaire for Study:

The researcher has used the Questionnaire as a tool to collect primary data related directly to his study. The Questionnaire was divided into two parts according to the study objectives(see appendix No.1).

##### 4.5.1 Questionnaire for Study:

**Part One:** this Part consists of 6 Items related to industry classification to which firms belong and strategic planning.

**Part two:** It includes 7 Fields as follows:

- Field one: Environment Analysis which is divided into two sections: the first one discusses 6 Items that deal with Environment Analysis, and the other one includes 3 Items that deals with Environment Analysis.

**Field two:** Firm mission which includes 3 items.

**Field three:** Firm's objectives and goals which includes 4 Items

**Field Four:** Strategy Formulation which includes 12 Items

**Field Five:** Strategy implementation which includes two Items.

**Field six:** Strategy Control and evaluation which includes 7 Items.

**Field seven:** growth in the Firm which includes 20 Items.

And thus the Questionnaire includes 64 items.

#### 4.6 Questionnaire Validity:

The researcher assessed the content validity and reliability of the questionnaire by two ways which are as follows:

##### 1) Arbitrating the questionnaire:

Distributing the questionnaire to a group of arbitrators containing 13 academic members from the Islamic university of Gaza and Al-Azhar university- Gaza from faculties of Commerce, Education ,and statistics

members and others who have wide experience in business and strategic planning.

The researcher has modified, deleted, and added the necessary parts of the questionnaire in response to the group's suggestions, the parts were accepted if 80% of arbitrators agreed with, and have modified if 60-80% of them agreed with, and rejected if less than 60% of arbitrators agreed with and the questionnaire appeared so in its final shape. See appendixes No. (1)

## 2) **Pilot study:**

After the preliminary testing, a pilot study was conducted to evaluate the questionnaire; the researcher distributed the questionnaire to a sample of 25 firms. Generally speaking, it appeared that respondents had no difficulty in understanding the items or the instructions provided to complete the questionnaire. The researcher has tested the internal harmony of the questionnaire by calculating the correlation coefficients of each field and the total number of the questions for each field.

### **The correlation coefficients**

Table (18) clarifies the correlation coefficients for each field of the first three parts and the average of the part, correlation coefficients denoted significance at ( 0.01, 0.05), which means a content reliability of the three parts of the questionnaire for what is being measured.

**Table(18)**  
**correlation coefficients of the Items of the first three Fields and the total average for each field**

Field	Items	Pearson Correlation	Sig. (2-tailed)	Interpretation
internal environment analysis	1	0.226	0.003	**
	2	0.188	0.016	*
	3	0.464	0.000	**
	4	0.432	0.000	**
	5	0.526	0.000	**
	6	0.577	0.000	**
external environment analysis	7	0.643	0.000	**
	8	0.713	0.000	**
	9	0.672	0.000	**
Firm's mission	10	0.814	0.000	**
	11	0.731	0.000	**
	12	0.808	0.000	**
	13	0.642	0.000	**
Firm's objectives and goals	14	0.793	0.000	**
	15	0.700	0.000	**
	16	0.671	0.000	**
	17	0.779	0.000	**

\*Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed)

Table (19) clarifies the correlation coefficients for each field of the third, the fourth, and the fifth parts and the average of the part, correlation coefficients denoted significance at ( 0.01, 0.05), which means a content reliability for what is being measured .

**Table (19)**  
**Correlation coefficients of the Items of the third, the fourth and the fifth Fields and the average of each Field**

Field	Items	Pearson Correlation	Sig. (2-tailed)	Interpretation
Strategy Formulation	18	0.663	0.000	**
	19	0.666	0.000	**
	20	0.712	0.000	**
	21	0.721	0.000	**
	22	0.536	0.000	**
	23	0.608	0.000	**
	24	0.638	0.000	**
	25	0.751	0.000	**
	26	0.742	0.000	**
	27	0.185	0.017	*
	28	0.691	0.000	**
	29	0.762	0.000	**
Strategy implementation	30	0.195	0.000	**
	31	0.416	0.000	**
Strategy Controlling & Evaluating	32	0.751	0.000	**
	33	0.583	0.000	**
	34	0.602	0.000	**
	35	0.619	0.000	**
	36	0.775	0.000	**
	37	0.723	0.000	**
	38	0.718	0.000	**

\*Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed).



Table (20) clarifies the correlation coefficients for each field of the seventh part , and the average of the part, correlation coefficients denoted significance at ( 0.01), which means a content reliability of the fields of the seventh part for what is being measured .

**Table (20)**  
**correlation coefficients of the Items of the seventh Field and its average**

Field	Items	Pearson Correlation	Sig. (2-tailed)	Interpretation
Growth in the Firm	39	0.542	0.000	**
	40	0.326	0.000	**
	41	0.424	0.000	**
	42	0.369	0.000	**
	43	0.511	0.000	**
	44	0.403	0.000	**
	45	0.411	0.000	**
	46	0.286	0.000	**
	47	0.495	0.000	**
	48	0.411	0.000	**
	49	0.542	0.000	**
	50	0.420	0.000	**
	51	0.480	0.000	**
	52	0.555	0.000	**
	52	0.730	0.000	**
	54	0.639	0.000	**
	55	0.615	0.000	**
	56	0.385	0.000	**
57	0.529	0.000	**	
58	0.816	0.000	**	

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed).

#### 4.6.1 Fields structure Reliability:

The researcher assessed the fields structure validity by calculating the correlation coefficients of every part of the questionnaire and the total number of the questions.

The correlation coefficients denoted significance at (0.01) level, which means a structure reliability for what is being measured as shown in table (21)

Table (21): correlation coefficients of each field and the total number of questionnaire fields

**Table (21)**  
**correlation coefficients of each field and Total average of questionnaire Items**

<b>Field</b>	<b>Pearson Correlation</b>	<b>Sig. (2-tailed)</b>	<b>Interpretation</b>
<b>Internal environment analysis</b>	0.613	0.000	**
<b>External environment analysis</b>	0.792	0.000	**
<b>Firm's mission</b>	0.823	0.000	**
<b>Firm's Objectives &amp; Goals</b>	0.849	0.000	**
<b>Strategy Formulation</b>	0.935	0.000	**
<b>Strategy Implementation</b>	0.323	0.000	**
<b>Strategy Controlling &amp; Evaluating</b>	0.868	0.000	**
<b>Growth in the Firm</b>	0.823	0.000	**

\*Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed).

### 4.6.2 Questionnaire Reliability

The researcher conducted two reliability tests on the pilot study sample, the two tests are Split-Half Coefficient and Alpha-Cronbach Method.

#### Split-Half Coefficient and Alpha-Cronbach Method:

#### 4.6.4 Split-Half Coefficient

Pearson correlation coefficient is calculated for the average odd questions and for the average even questions. While the modified Pearson correlation coefficient using Spearman-Brown equation as follows

$$\text{Reliability coefficient} = \frac{2r}{1+r} \text{ where } r \text{ is correlation coefficient.}$$

Table (22) shows that the questionnaire had a high degree of validity .

**Table(22)**  
**Correlation coefficients of odd questions and even questions for each Field (Split-Half Coefficient )**

Field	Items	Pearson Correlation	Spearman-Brown Coefficient	Sig. (2-tailed)	Interpretation
Internal environment analysis	6	0.7181	0.7233	0.000	**
external environment analysis	3	0.6376	0.7787	0.000	**
Firm's mission	4	0.8732	0.9323	0.000	**
Firm's objectives & goals	4	0.8342	0.9096	0.000	**
Strategy formulation	12	0.8018	0.8900	0.000	**
Strategy implementation	2	0.7356	0.8482	0.000	**
Strategy Controlling & Evaluating	7	0.5420	0.7030	0.000	**
Growth in the firm	20	0.4251	0.5965	0.000	**

\*Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed).

**Alpha-Cronbach Method:**

The researcher used the Alpha-Cronbach coefficient test to measure the questionnaire reliability of each field and the total average of the questionnaire fields.

Table (23) shows Alpha-Cronbach coefficients, which means that there are significance and high validity coefficients.

**Table (23)****Alpha-Cronbach coefficients of each Field of the questionnaire**

Field	No. of Items	Alpha-Cronbach
Internal environment (6-1) analysis	6	0.7433
External environment analysis	3	0.8116
Firm's mission	4	0.9318
Firm's Objectives & Goals	4	0.8864
Strategy Formulation	12	0.8657
Strategy Implementation	2	0.8463
Strategy Controlling & Evaluating	7	0.7683
Growth in the Firm	20	0.6063

**4.7.1 Statistical Manipulation:**

To achieve the research goals, the researcher used the Statistical Package for the Social Science (SPSS) for Manipulating and analyzing the data.

**4.7.2 statistical methods are as follows:**

1. Frequencies and Percentile
2. Alpha-Cronbach Test for measuring reliability of questionnaire fields.
3. Pearson correlation coefficient for measuring validity of the questionnaire fields .
4. Pearson-Brown coefficient

5. Kolmogorov-Smirnov test to identify type of data either follows normal distribution or not, which revealed non-parametric goodness-of-fit.( Sample K-S-1)
6. One sample T-test
7. Normality Distribution Test

### **One-Sample Kolmogorov-Smirnov Test**

Kolmogorov-Smirnov Test will be used to identify if data follow normal distribution or not, this test is considered necessary in case testing hypothesis as most parametric Tests stipulate data to be normality distributed.

Results test as shown in table (24),clarifies that Z- value is small (less than tabulated Z, which equals 1.96, and significance level more than 0.05 ( *sig* . > 0.05 ), this in turn denotes that data follows normal distribution , and so parametric Tests must be used .

**Table (24)**  
**Testing the Normal distribution**

<b>Field</b>	<b>Kolmogorov-Smirnov Z</b>	<b>Asymp. Sig. (2-tailed)</b>
Internal environment analysis	0.812	0.525
External environment analysis	0.020	0.246
Firm mission	0.645	0.799
Firm Objectives& Goals	1.141	0.148
Strategy Formulation	1.196	0.115
Strategy Implementation	1.210	0.107
Strategy Controlling & Evaluating	0.646	0.798
Growth in the Firm	0.831	0.624
<b>Total average of fields</b>	<b>1.103</b>	<b>0.176</b>

# Chapter Five

## Data Analysis and Discussion

- ✍ **Discussion and interpretation of each field's items**
- ✍ **Analysis of Environment Analysis items (1- 9)**
- ✍ **Analysis of Firm's Mission items (10- 13)**
- ✍ **Analysis of the Firm Objectives & Goals items (14- 17)**
- ✍ **Analysis of Strategy Formulation items (18- 29)**
- ✍ **Analysis of Strategy Implementation items (30- 32)**
- ✍ **Analysis of Controlling and Evaluating Strategy items (33- 38)**
- ✍ **Analysis of Growth in firms items (39- 58)**
- ✍ **Hypothesis Testing**

## 5.1 Discussion and interpretation of each Field's items:

The following tables show the percentages for alternatives of each item, Mean, Weight Mean, T- value, and significance level for each item. The item is considered positive, that means respondents agree with it if T-Test positive and more than tabulate-T (or significance level is less than 0.05, and Weight Mean is more than 60%), and The item is considered negative, that means respondents do not agree with it if T-value negative and less than tabulated-T (or significance level is less than 0.05, and weight Mean is less than 60%), and respondent's answers are considered neutral if the significant level more than 0.05, and this is true for the all questionnaire items.

## 5.2 Analysis of Environment Analyzing Items:

### 5.2.1 Environment Analysis

#### 5.2.1.1 Firstly:-Internal Environment Analysis

**Table (25): percentages of alternative of each item, Mean, Weight Mean, T -Test, and significance of each item in the field of Internal environment analysis**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T - Test	Sig. (2-tailed)
Internal environment analysis	1	23.0	49.1	20.0	3.6	4.2	3.83	76.6	11.033	0.000
	2	23.6	43.0	22.4	4.8	6.1	3.73	74.6	8.839	0.000
	3	17.1	26.2	24.4	25.0	7.3	3.21	64.2	2.202	0.029
	4	17.6	21.8	31.5	23.0	6.1	3.22	64.4	2.408	0.017
	5	8.5	31.1	31.1	19.5	9.8	3.09	61.8	1.053	0.294
	6	10.3	27.9	33.3	23.6	4.8	3.15	63.0	1.852	0.066
<b>Total Average of Field's items</b>							<b>3.374</b>	<b>67.5</b>	<b>6.58</b>	<b>0.000</b>

**T -Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (25) shows the following results: In Item (1) it is clear that 72.1% of respondents agree that the firm determines its Strengths points, but 7.8 of them disagree and in sequence the calculated T -Test is 11.033, which is more than tabulated T which equals 1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are positive , i.e they agree that the firm determines its Strengths points.

In Item (2) it is clear that 66.6% of respondents agree that the firm determines its Weaknesses points, but 10.9 of them disagree and in sequence the calculated T- value is 8.839, which is more than tabulated T which equals 1.98, and significance level is 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are positive , i.e they agree that the firm determines its Weaknesses points.

In Item (3) it is clear that 43.3% of respondents agree that there is a wide managerial participation in determining Strengths points in their firm, but 32.3 of them disagree and in sequence the calculated T -Test is 2,202, which is more than tabulated T which equals 1.98, and significance level is 0.029 which is less than 0.05, and in turn this denotes that opinions of respondents are positive , i.e they agree that there are a wide managerial participation in determining Strengths points in their firm.

In Item (4) it is clear that 39.4% of respondents agree that there is a wide managerial participation in determining Weaknesses points in their firm, but 29.1 of them disagree and in sequence the calculated T -Test is 2,408, which is more than tabulated T which equals 1.98, and significance level is 0.017 which is less than 0.05, and in turn this denotes that opinions of respondents are positive , i.e they agree that there are a wide managerial participation in determining Weaknesses points in their firm.



This reflects that small industrial businesses analyze its internal environment to identify strengths and weaknesses to enhance its existence against competitors. This point agrees with the study of (Atallah,2005) .

In Item (5) it is clear that 39.6% of respondents agree that there is an evaluation of long range implications of Strengths points in their firm, but 29.3 of them disagree and in sequence significance level is 0.294 which is more than 0.05, and in turn this denotes that opinion of respondents of this Item is Neutral .

In Item (6) it is clear that 38.2% of respondents agree that there is an evaluation of long range implications of Weaknesses points in their firm, but 28.4 of them disagree and in sequence significance level is 0.066 which is more than 0.05, and in turn this denotes that opinion of respondents of this Item is Neutral .

The researcher refers the respondents' inability to identify if there is an evaluation of long range implications of Strengths and Weaknesses points, in their firm, to the turbulent and uncontrollable external environment, which the Israeli aggression is considered the most obstacle through closures, destruction of Palestinian properties ( Bauck,2005)

In general , table (25) shows that the total average of this field items equals 3.374,calculated T -Test equals 6.58which is more than the tabulated T which equals 1.98, and significance level is 0.000, which denotes that the firm analyzes its Internal Environment , by determining and evaluating its Strengths and Weaknesses points.

### 5.2.1.2 Secondly : External environment analysis:

**Table (26): percentages of alternative of each item, Mean, Weight Mean, T –Test and significance level of each item in the field of External environment analysis**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Mean Weight	T value	Sig. (2-tailed)
External environment analysis	7	14.5	26.1	24.8	23.6	10.9	3.10	62.0	1.012	0.313
	8	8.5	24.2	28.5	27.3	11.5	2.91	58.2	1.018-	0.310
	9	9.8	23.2	29.3	26.2	11.6	2.93	58.6	0.739-	0.461
Total Average of Field's items							2.978	59.6	0.271-	0.787

**T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (26) shows the following results:

In Item (7) it is clear that 40.6% of respondents agree that the firm takes into consideration the long range implications of External Environment of the firm (political, social), but 34.5 of them disagree and in sequence significance level is 0.313 which is more than 0.05, and in turn this denotes that opinion of respondents of this Item is Neutral .

In Item (8) it is clear that 32.7% of respondents agree that the firm has formal procedures for evaluating External environment threats and opportunities (political, social), but 38.8 of them disagree and in sequence significance level is 0.310 which is more than 0.05, and in turn this denotes that opinion of respondents of this Item is Neutral .

In Item (9) it is clear that 33.0% of respondents agree that the firm has a wide management participation in determining threats and opportunities in External Environment of the firm (political, social), but 37.8 of them disagree and in sequence significance level is 0.461 which is more than 0.05, and in turn this denotes that opinion of respondents of this Item is Neutral .

In general , table (26) shows that the total average of this field items equals 2.978, calculated T-value equals – 0.271 which is in the acceptance zone, and significance level is 0.787, which is more than 0.05 which denotes that opinion of respondents is Neutral in the field of external environment analysis (long range implications, formal procedures for evaluating threats and opportunities and a wide management participation in the determining threats and opportunities of the external environment, such as, political, social...etc., .

The researcher sees that the small businesses try its efforts to analyze its internal and external environment to survive basically, and keeping with technology despite of the Israeli obstacles. And this agrees with the study of (Weelen,1998), as it discusses that 90% of sample firms analyze its internal and external environment, which leads to increasing in profitability and productivity of these firms.

### 5.3 Analysis of Firm's Mission Items:

**Table (27) : percentages of alternative of each item, Mean, Weight Mean, T –Test and significance level of each item in the field of Firm's Mission**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T - Test	Sig. (2-tailed)
Firm Mission	10	13.9	20.0	7.3	31.5	27.3	2.62	52.4	- 3.44	0.001
	11	6.1	11.5	17.6	30.9	33.9	2.25	45.0	- 7.96	0.000
	12	13.9	12.7	14.5	29.1	29.7	2.52	50.4	- 4.41	0.000
	13	7.9	12.7	9.1	29.1	41.2	2.17	43.4	- 8.17	0.000
<b>Total Average of Field's items</b>							<b>2.389</b>	<b>47.8</b>	<b>- 6.44</b>	<b>0.000</b>

**T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (27) shows the following results:

In Item (10) it is clear that 33.9% of respondents agree that the firm has a formal statement mission, but 58.5% of them disagree and in sequence the calculated T- Test is found – 3.44, which is less than tabulated T which equals -1.98, and significance level at 0.001 which is less than 0.05, and in turn this denotes that opinions of respondents are negative, i.e they agree that the firm does not have a formal statement mission.

In Item (11) it is clear that 17.6% of respondents agree that the firm Mission is long-term in nature, but 64.8% of them disagree and in sequence the calculated T- Test is found – 7.96, which is less than tabulated T which equals -1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative, i.e they agree that the firm mission is not long-term in nature.

In Item (12) it is clear that 26.6% of respondents agree that the firm has developed a formal statement of mission, but 58.8% of them disagree and in sequence the calculated T- Test is found – 4.41, which is less than tabulated T which equals 1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative, i.e they agree that the firm has not developed a formal statement of mission.

In Item (13) it is clear that 20.6% of respondents agree that the employees of the firm has known the firm mission and committed to it, but 70.3% of them disagree and in sequence the calculated T- Test is found – 8.17, which is less than tabulated T which equals - 1.98, and significance level at 0.001 which is less than 0.05, and in turn this denotes that opinions of respondents are negative, i.e they agree that the employees of the firm has not known the firm mission and nor committed to it.

In general , table (27) shows that the total average of this field items equals 2.389, calculated T-value equals – 6.44 which is less than calculated T which equals – 1.98, and significance level is 0.000, which is less than 0.05 which denotes that opinion of respondents is negative in the field of Firm mission i.e. the firm has not a formal statement mission and has not developed it, and its statement of mission is not long-term in nature.

The researcher refers the result that there is not a written mission for small businesses in the sample to the fact that strategic planning in Gaza Strip is considered new and limited to some modern local and international organizations. This agrees with the study of ( Atallah,2005), which concludes that the missions of firms are not written but the managers bear them clear in mind.

#### 5.4 Analysis of Firm Objectives & Goals Items : Firm's Objectives & Goals

**Table (28)**

**percentages of alternatives of each item, Mean, Weight Mean, T – Test and significance level of each item in the field of Firm Objectives & Goals**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T - Test	Sig. (2-tailed)
Firm Objectives & Goals	14	7.3	20.1	14.6	39.6	18.3	2.59	51.8	4.39 -	0.000
	15	9.7	12.7	14.5	24.8	38.2	2.31	46.2	6.57 -	0.000
	16	6.1	18.8	18.8	35.2	21.2	2.53	50.6	5.02 -	0.000
	17	9.1	17.6	17.6	23.0	32.7	2.47	49.4	5.03 -	0.000
<b>Total Average of Field's items</b>							<b>2.478</b>	<b>49.6</b>	<b>-</b> <b>6.04</b>	<b>0.000</b>

T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98

Table (28) shows the following results

In Item (14) it is clear that 27.4% of respondents agree that the firm has a formal statement of firm objectives and goals, but 57.9% of them disagree and in sequence the calculated T- Test is found – 4.39, which is less than tabulated T which equals -1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative , i.e. they agree that the firm does not have a formal statement of firm objectives and goals.

In Item (15) it is clear that 22.4% of respondents agree that the firm has established both long-range and short-range goals and objectives, but 63.0% of them disagree and in sequence the calculated T- Test is found – 6.57, which is less than tabulated T which equals -1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative , i.e. they agree that the firm has not established both long-range and short-range goals and objectives.

In Item (16) it is clear that 24.9% of respondents agree that the firm is developing continuously the goals and objectives, but 56.4% of them disagree and in sequence the calculated T- Test is found – 5.02, which is less than tabulated T which equals -1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative , i.e. they agree that the firm is not developing continuously goals and objectives.

In Item (17) it is clear that 26.7% of respondents agree that there is wide management participation in formulating the firm objectives and goals, but 55.7% of them disagree and in sequence the calculated T- Test is found – 5.03, which is less than tabulated T which equals -1.98, and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents are negative , i.e. they agree that there is not wide management participation in formulating the firm objectives and goals.

In general , table (28) shows that the total average of this field items equals 2.478, calculated T- Test equals – 6.04 which is less than calculated T which equals – 1.98, and significance level is 0.000, which is less than 0.05 which denotes that opinion of respondents is negative in the field of Firm objectives and goals i.e. the firm has not a formal statement of its objectives and goals, nor has established long-term and short-term objectives and goals and even has not developed it, moreover there is not wide management participation in formulating the firm objectives and goals and its objectives and goals are not long-term in nature. And this agrees with the both studies of (Alkhateeb,2003), and (Al-Omar,2003), but it differs to the both studies of (Baile,1998), and (Stewart,2003).

### 5.5 Analysis of Strategy Formulation Items:

**Table (29)**

**percentages of alternatives of each item, Mean, Weight Mean, T- Test and significance level of each item in the field of Strategy Formulation**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T- Test	Sig. (2-tailed)
Strategy Formulation	18	8.5	17.0	41.2	26.1	7.3	2.93	58.6	0.831-	0.407
	19	6.1	23.8	26.2	26.8	17.1	2.75	55.0	2.727-	0.007
	20	13.9	7.9	14.5	28.5	35.2	2.37	47.4	5.810-	0.000
	21	6.7	23.0	28.5	25.5	16.4	2.78	55.6	2.397-	0.018
	22	5.5	15.2	29.7	29.1	20.6	2.56	51.2	4.990-	0.000
	23	7.9	15.8	27.3	29.1	20.0	2.62	52.4	4.035-	0.000
	24	3.0	12.8	19.5	37.2	27.4	2.27	45.4	8.585-	0.000
	25	8.5	13.3	16.4	24.8	37.0	2.32	46.4	6.666-	0.000
	26	7.3	21.2	24.8	33.9	12.7	2.76	55.2	2.659-	0.009
	27	24.2	14.5	17.6	21.2	22.4	2.97	59.4	0.260-	0.795
	28	12.7	24.2	33.3	20.6	9.1	3.11	62.2	1.221	0.224
	29	4.3	21.5	23.9	31.9	18.4	2.61	52.2	4.327-	0.000
<b>Total Average of Field's items</b>							<b>2.67</b>	<b>53.4</b>	<b>5.54-</b>	<b>0.000</b>

**T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (29) shows the following results:

In Item (18) it is clear that 25.5% of respondents agree that there is wide management participation in developing alternative strategies in the firm, but 33.4% of them disagree, and significance level at 0.407 which is more than 0.05, and in turn this denotes that opinions of respondents are Neutral. The researcher refers this to management tendency to be centralized even in developing unwritten strategic alternatives- bear them in mind-, due to the dramatic external environment in the Gaza Strip, and this point differs with the study of (Tapinos, Dyson, & Meadows, 2005).

In Item (19) it is clear that 29.9% of respondents agree that the firm determines threats and opportunities of External Environment ( political, economical, social, etc.,...) when formulating strategy, but 43.9% of them do disagree, calculated T-Test equals - 2.727 which is less than calculated T which equals - 1.98, and significance level is 0.007, which is less than 0.05 which denotes that opinion of respondents is negative i.e. they agree that the firm doesn't determine threats and opportunities of External Environment ( political, economical, social, etc.,...) .

In Item (20) it is clear that 21.8% of respondents agree that the firm develops budgets of strategic plans, but 63.7% of them disagree, calculated T-Test equals - 5.810 which is less than calculated T which equals - 1.98, and significance level is 0.000, which is less than 0.05 which denotes that opinion of respondents is negative i.e. they agree that the firm doesn't develop budgets of strategic plans.

In Item (21) it is clear that 29.7% of respondents agree that the results of strategic planning process clearly spell out what will be done, when, and by whom, but 41.9% of them disagree, calculated T-Test equals - 2.397 which is less than calculated T which equals - 1.98, and significance level is 0.018, which is less than 0.05 which denotes that



opinion of respondents is negative i.e. they agree that the results of strategic planning process clearly spell out what will be done, when, and by whom.

In Item (22) it is clear that 20.7% of respondents agree that the firm attempts to project the outcome of strategic alternatives facing it, but 49.7% of them disagree, calculated T-Test equals  $-4.990$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that opinion of respondents is negative i.e. they agree that the firm does not attempt to project the outcome of strategic alternatives facing it.

In Item (23) it is clear that 20.7% of respondents agree that the firm is concerned with long-term implications, but 49.1% of them disagree, calculated T-Test equals  $-4.035$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that opinion of respondents is negative i.e. they agree that the firm is not concerned with long-term implications.

In Item (24) it is clear that 15.8% of respondents agree that the firm has formal procedures for strategy selection, but 64.6% of them disagree, calculated T-Test equals  $-8.585$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that opinion of respondents is negative i.e. they agree that the firm has not formal procedures for strategy selection.

In Item (25) it is clear that 21.8% of respondents agree that the firm develops budgets for all strategic alternatives, but 61.8% of them disagree, calculated T-Test equals  $-6.666$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that opinion of respondents in this item is negative i.e. they agree that the firm does not develop budgets for all strategic alternatives.

In Item (26) it is clear that 28.5% of respondents agree that alternatives are developed by the firm before a strategic plan is adopted, but 46.6% of them disagree, calculated T-Test equals  $-2.659$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.009$ , which is less than  $0.05$  which denotes that opinion of respondents in this item is negative i.e. they agree that alternatives are not developed by the firm before a strategic plan is adopted.

In Item (27) it is clear that 38.7% of respondents agree that the firm has no formal procedures for identifying strategic alternatives, but 43.6% of them disagree, , and significance level is  $0.795$ , which is more than  $0.05$  which denotes that opinion of respondents in this item is Neutral.

In Item (28) it is clear that 36.9% of respondents agree that the firm identifies strengths and weaknesses when formulating strategies , but 29.7% of them disagree, and significance level is  $0.224$ , which is more than  $0.05$  which denotes that opinion of respondents in this item is Neutral.

In Item (29) it is clear that 25.8% of respondents agree that in developing strategies, long-range considerations are important, but 50.3% of them disagree, calculated T-value equals  $-4.327$  which is less than calculated T which equals  $-1.98$  , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that opinion of respondents in this item is negative. i.e. they agree that in developing strategies, long-range considerations are not important.

In general , table (29) shows that the total average of this field items equals  $2.67$ , calculated T-Test equals  $-5.54$  which is less than calculated T which equals  $-1.98$ , and significance level is  $0.000$ , which is less than  $0.05$  which denotes that respondents agree that firms do not take care of formulating strategies well.

This reveals that strategic planning is not conducted and practiced according to complete and scientific techniques. The researcher sees that managers are facing unstable environment and they lack experience in applying and conducting strategic planning, on one hand, but on the other hand, they are busy in day to day activities, (Al-Farra,2003).

### 5.6 Analysis of Strategy Implementation Items:

Table (30)

Percentages of alternatives of each item, Mean, Weight Mean, T-Test and significance level of each item in the field of Strategy Implementation

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T - Test	Sig. (2-tailed)
Strategy Implementation	30	22.4	21.8	18.8	18.8	18.8	3.10	62.0	0.923	0.357
	31	13.9	21.8	24.2	21.8	18.2	2.92	58.4	0.830	0.408
<b>Total Average of part's items</b>							<b>3.01</b>	<b>60.2</b>	<b>0.091</b>	<b>0.92</b>

T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98

Table (30) shows the following results:

In Item (30) it is clear that 34.2% of respondents agree that once a strategy has been selected it is implemented , but 37.6% of them disagree, and significance level at 0.357 which is more than 0.05, and in turn this denotes that opinions of respondents in this item are Neutral.

In Item (31) it is clear that 35.7% of respondents agree that long-range factors are important when implementing strategy , but 40.0% of them disagree, and significance level at 0.408 which is more than 0.05, and in turn this denotes that opinions of respondents in this item are Neutral.

In general , table (30) shows that the total average of this field items equals 3.01, calculated T-Test equals – 0.091which is more than calculated T which equals – 1.98, and significance level is 0.92, which is

more than 0.05 which denotes that respondents opinion is neutral in the field of strategy implementing. This agrees with ( Al-Khateeb, 2003) , but disagrees with ( Kristenson, 1983).

The researcher refers this result to the firms owners who keep planning in their hands and do not share the different levels of management in this process, as small businesses in Palestine are family business. (pinc,2005).

### 5.7 Analysis of Controlling and Evaluating Strategy Items:

**Table (31)**

**percentages of alternatives for each item, Mean, Weight Mean, T –Test and significance level of each item in the field of Controlling & Evaluating Strategy**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	Mean (5)	Weight Mean	T Test	Sig. (2-tailed)
Controlling & Evaluating Strategy	32	10.3	17.6	34.5	27.9	9.7	2.91	58.2	1.043-	0.299
	33	23.8	37.2	12.2	13.4	13.4	3.45	69.0	4.241	0.000
	34	21.8	30.9	20.0	17.6	9.7	3.38	67.6	3.799	0.000
	35	7.3	17.0	24.8	33.3	17.6	2.63	52.6	4.059-	0.000
	36	14.8	11.7	26.5	28.4	18.5	2.76	55.2	2.359-	0.020
	37	8.6	10.4	14.7	26.4	39.9	2.21	44.2	7.688-	0.000
	38	5.0	23.9	18.2	31.4	21.4	2.60	52.0	4.205-	0.000
Total Average of Field's items							<b>2.846</b>	56.9	<b>2.46-</b>	0.015

**T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (31) shows the following results:

In Item (32) it is clear that 27.9% of respondents agree that there is wide participation by management in reviewing and evaluating strategic plans , but 37.6% of them disagree, and significance level at 0.299 which is more than 0.05, and in turn this denotes that opinions of respondents in this item are Neutral, this agrees with (Al-Omar, 2003). Here the researcher observes that there is instability in reviewing and evaluating the strategic plans by the top management, which shares the different management levels in the evaluating process, and the researcher refers this to centralization in these firms.

In Item (33) it is clear that 61.0% of respondents agree that when firm does strategic planning; reviewing and evaluating strategy is

considered very important , but 26.8% of them disagree, calculated T-Test equals  $-4.241$  which is more than calculated T which equals  $-1.98$  and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that when firm does strategic planning; reviewing and evaluating strategy is considered very important, which reflects a good knowledge of the importance of reviewing and evaluating strategy.

In Item (34) it is clear that 52.7% of respondents agree that the firm identifies and monitors other companies providing products or services similar to its , but 27.3% of them disagree, calculated T-Test equals 3.799 which is more than calculated T which equals  $1.98$  and significance level at 0.000 which is less than 0.05, this agrees with (Al-Shammari, 1998), due to some differences in business practicing in Jordan and Palestine; and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the firm identifies and monitors other companies providing products or services similar to theirs. Here we see that respondents recognize the importance of competition as a threat in the external environment of firm which affects the profitability and growth of it.

In Item (35) it is clear that 34.3% of respondents agree that the firm has formal procedures for reviewing and evaluating strategy , but 50.9% of them disagree, calculated T-Test equals  $-4.059$  which is less than calculated T which equals  $-1.98$  and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that the firm has not formal procedures for reviewing and evaluating strategy. The researcher refers this to the fact that strategic planning is used recently in the Palestinian territories, and the weakness of using formal procedures for reviewing and evaluating strategy.

In Item (36) it is clear that 26.5% of respondents agree that there is continuous review and evaluation of the strategic plan , but 46.9% of them disagree, calculated T-Test equals – 2.359 which is less than calculated T which equals - 1.98 and significance level at 0.020 which is less than 0.05, this disagrees with ( Al-Khateeb, 2003) may be according the variation in management style between Palestine and Jordan, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that there is not continuous review and evaluation of the strategic plan.

In Item (37) it is clear that 19.0% of respondents agree that the strategic plans are very sophisticated , but 66.3% of them disagree, calculated T-Test equals – 7.688 which is less than calculated T which equals - 1.98 and significance level at 0.000 which is less than 0.05, this agrees with ( Al-Shammari, 1998) and ( Abu –Muaamar, 2002), and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that the strategic plans are not very sophisticated.

In Item (38) it is clear that 28.9% of respondents agree that the strategic plans are suitable for firm objectives and goals , but 52.8% of them disagree, calculated T-Test equals – 4.205 which is less than calculated T which equals - 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that the strategic plans are not suitable for firm objectives and goals. This result disagree with (Attalah,2005).

In general , table (31) shows that the total average of this field items equals 2.846, calculated T-Test equals – 2.46 which is less than calculated T which equals 1.98, and significance level is 0.015, which is less than 0.05 which denotes that respondents agree that firms do not take care of controlling and evaluating strategies.

We see from the previous field that individuals in small businesses in the Gaza Strip recognize the importance of controlling, reviewing and evaluating strategy, although most of the respondents disagree that there is not a continuous reviewing and evaluating of strategic plans, because small businesses in the Gaza Strip do not have enough time to follow up and evaluate, as most of these firms are family firms, and they held meetings if necessary to review needs for their projects and plans.

This result agrees with (Attalah,2005), and the study of (Al-farra,2004) assured that the Palestinian manager does not give enough time for preparing strategic plans, but he spends most of his time following up daily activities. This study disagree with (Stewart, 2003), which concludes that 86% of firms have continuous evaluation of plans.

### 5.8 Analysis of Items of Growth in firms:

**Table (32) : percentages of alternatives for each item, Mean, Weight Mean, T – Test and significance level of each item in the field of the Growth in the firm**

Field	Item	Strongly agree %	agree %	No option %	disagree %	Strongly Disagree %	(5) Mean	Weight Mean	T value	Sig. (2-tailed)
the Growth in the firm	39	7.9	6.1	26.1	18.2	41.8	2.20	44.0	8.124-	0.000
	40	43.6	14.1	21.5	9.8	11.0	3.69	73.8	6.331	0.000
	41	13.3	7.3	24.2	16.4	38.8	2.40	48.0	5.487-	0.000
	42	39.4	15.2	15.2	16.4	13.9	3.50	70.0	4.289	0.000
	43	9.7	12.1	19.4	20.4	38.2	2.35	47.0	6.224-	0.000
	44	38.2	19.4	13.9	19.4	9.1	3.58	71.6	5.349	0.000
	45	8.5	13.3	23.0	18.8	36.4	2.39	47.8	5.942-	0.000
	46	40.6	17.6	21.8	10.9	9.1	3.70	74.0	6.677	0.000
	47	9.1	11.5	18.2	24.8	36.4	2.32	46.4	6.626-	0.000
	48	35.8	23.6	17.0	15.8	7.9	3.64	72.8	6.188	0.000
	49	26.7	20.6	35.2	8.5	9.1	3.47	69.4	4.947	0.000
	50	21.8	40.0	23.0	12.7	2.4	3.66	73.2	8.215	0.000
	51	30.0	31.9	26.3	10.0	1.9	3.78	75.6	9.464	0.000
	52	28.8	23.9	25.2	20.2	1.8	3.58	71.6	6.350	0.000
	53	17.0	24.2	37.0	20.6	1.2	3.35	67.0	4.389	0.000
	54	18.8	30.3	41.2	6.7	3.0	3.55	71.0	7.292	0.000
	55	26.8	39.6	23.8	8.5	1.2	3.82	76.4	10.921	0.000
	56	32.7	22.7	30.9	7.3	6.7	3.67	73.4	7.229	0.000
	57	33.3	34.5	20.6	9.1	2.4	3.87	77.4	10.632	0.000
58	18.2	17.0	27.9	27.3	9.7	3.07	61.4	0.685	0.494	
<b>Total Average of Field's items</b>							<b>3.278</b>	<b>65.6</b>	<b>8.505</b>	<b>0.000</b>

**T- Test denoted significance at 0.05 level and free degree at 164 equals 1.98**

Table (32) shows the following results:

In Item (39) it is clear that 32.2% of respondents agree that the growth rate in sales\ revenues of their firm is above the growth rate in sales\ revenues of their strong competitors , but 60.0% of them disagree, calculated T-Test equals – 8.124 which is less than calculated T which equals – 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative.



i.e. they agree that the growth rate in sales\ revenues of their firm is under the growth rate in sales\ revenues of their strong competitors.

In Item (40) it is clear that 57.7% of respondents agree that the growth rate in sales\ revenues of their firm is lower than the growth rate in sales\ revenues of their strong competitors , but 20.8% of them disagree, calculated T-Test equals 6.331 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the growth rate in sales\ revenues of their firm is lower than the growth rate in sales\ revenues of their strong competitors.

In Item (41) it is clear that 20.6% of respondents agree that the growth rate in profit margin of their firm is higher than the growth rate in profit margin of their strong competitors , but 55.2% of them disagree, calculated T-Test equals - 5.487 which is less than calculated T which equals -1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that the growth rate in profit margin of their firm is lower than the growth rate in profit margin of their strong competitors.

In Item (42) it is clear that 45.6% of respondents agree that the growth rate in profit margin of their firm is lower than the growth rate in profit margin of their strong competitors , but 30.3% of them disagree, calculated T-Test equals 4.289 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the growth rate in profit margin of their firm is lower than the growth rate in profit margin of their strong competitors.

And this disagrees with (Anderson, 2003), the researcher refers it to the difference between Swedish environment , which is advanced and the Palestinian environment which is humble.

In Item (43) it is clear that 21.8% of respondents agree that the rate of establishing new sites\locations of their firm is faster than the rate of establishing new sites\locations of their strong competitors , but 58.6% of them disagree, calculated T-Test equals  $-6.224$  which is less than calculated T which equals  $-1.98$  and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that the rate of establishing new sites\locations of their firm is slower than the rate of establishing new sites\locations of their strong competitors.

In Item (44) it is clear that 57.6% of respondents agree that the rate of establishing new sites\locations of their firm is slower than the rate of establishing new sites\locations of their strong competitors , but 28.5% of them disagree, calculated T-Test equals  $5.349$  which is more than calculated T which equals  $1.98$  and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the rate of establishing new sites\locations of their firm is slower than the rate of establishing new sites\locations of their strong competitors. And this result disagrees with (Stewart, 2003), the researcher refers it to the strong economy and the demanding market in the U.S.A.

In Item (45) it is clear that 21.8% of respondents agree that the rate of customer\client base of their firm is growing faster than the rate of customer\client base of their strong competitors , but 55.2% of them disagree, calculated T-Test equals  $-5.942$  which is less than calculated T which equals  $-1.98$  and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are

negative. i.e. they agree that the rate of customer\client base of their firm is growing slower than the rate of customer\client base of their strong competitors.

In Item (46) it is clear that 58.2% of respondents agree that the rate of customer\client base of their firm is growing slower than the rate of customer\client base of their strong competitors , but 20.00% of them disagree, calculated T-Test equals 6.677 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the rate of customer\client base of their firm is growing slower than the rate of customer\client base of their strong competitors.

This result disagrees with ( Smallbone; Leig; North, 1995), the researcher refers it to the fact that economy between 1979-1990 was growing highly in the U.S.A.

In Item (47) it is clear that 20.6% of respondents agree that their firm is increasing its staff at a faster rate than that of their key competitor, but 61.2% of them disagree, calculated T-Test equals – 6.626 which is less than calculated T which equals – 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are negative. i.e. they agree that their firm is increasing its staff at a slower rate than that of their key competitor.

In Item (48) it is clear that 59.4% of respondents agree that their firm is increasing its staff at a slower rate than that of their key competitor, but 23.7% of them disagree, calculated T-Test equals 6.188 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that their firm is increasing its staff at a slower rate than that of their key competitor. Here

the researcher sees that key competitors have high experience and abilities more than small businesses, which make the key competitors achieve greater growth over small businesses, and here we notice the role which strategic planning plays in enhancing growth and development of firms. This result disagrees with (Baile,1998), again the researcher refers this to the big difference between the U.S.A and the Palestinian markets.

Item (39) and item (40) are formulated in two different ways, but have the same meaning, in order to test respondents' reliability, which were identical, and this is applied in couple on the four dimensions of growth which the study focus on.

This result agrees with (Baile,19998;and (Smallbone,leig,North,1995), by comparing the characteristics and strategies of firms achieving high growth between 1979-1995 with the weaker performing companies, there were well using of strategic planning process by small businesses achieving high growth against weaker ones.

In Item (49) it is clear that 47.3% of respondents agree that the growth of their firm contributes to prosperity for strategic planning in the firm, but 17.6% of them disagree, calculated T-Test equals 4.947 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the growth of their firm contributes to prosperity for strategic planning in the firm. Here appears the importance of firm abilities, as growth enhances strengths sides of firm and it leads the firm to plan strategically, as a response to opportunities and threats which the firm faces in external environment. This result agrees with (Stewart,2003), where in this study 87,3% of respondents agree that growth of firm drives it to plan strategically, also this agrees with (Tapinos,. Dyson, & Meadows ,2005).

In Item (50) it is clear that 61.8% of respondents agree that firm size contributes to increasing growth of the firm, but 15.1% of them disagree, calculated T-Test equals 8.215 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that firm size contributes to increasing growth of the firm.

In Item (51) it is clear that 61.9% of respondents agree that firm age increases the growth of the firm, but 11.9% of them disagree, calculated T-Test equals 9.464 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that firm age increases the growth of the firm. This agrees with (Perren,1999) which explains how growth is influenced by myriad of interacting factor which the size of the firm is considered an important one of them. In addition this result agrees with (Ennis,1999|) concerning the firm size, where 82% of respondents of this study sample agree that firm size influences growth and development of firm.

In Item (52) it is clear that 52.7% of respondents agree that the industry to which their firm belongs increases the firm growth, but 22.00% of them disagree, calculated T-Test equals 6.350 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the industry to which their firm belongs increases the firm growth. The research sees that some firms face troubles in the category of industry it belong to, for example in the Gaza Strip, the metallic industry face huge troubles and obstacles by Israel which fights this category of industry by preventing firms get materials, in addition to preventing international agreements and

support, and depriving this category of industry to be improved and developed by international societies, specially American and European countries.\*

In Item (53) it is clear that 41.2% of respondents agree that the executive are satisfied with the participation and efforts of employees in strategic planning process, but 21.80% of them disagree, calculated T-Test equals 4.389 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the executive are satisfied with the participation and efforts of employees in strategic planning process.

In Item (54) it is clear that 49.1% of respondents agree that the executive are satisfied with achieving firm objectives, but 9.7% of them disagree, calculated T-Test equals 7.292 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the executive are satisfied with achieving firm objectives.

In Item (55) it is clear that 66.4% of respondents agree that the executive are satisfied with employees' morale, but 9.7% of them disagree, calculated T-Test equals 10.921 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the executive are satisfied with employees' morale.

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\*(Interview with Al-Samna, Chairman of metallic industries union, on 17<sup>th</sup>, Oct. 2005, 11:00 am).

In Item (56) it is clear that 55.4% of respondents agree that the executive are satisfied with the firm financial situation, but 14% of them disagree, calculated T-Test equals 7.229 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the executive are satisfied with the firm financial situation

In Item (57) it is clear that 67.8% of respondents agree that the executive are satisfied with the firm equipments and assets, but 11.5% of them disagree, calculated T-Test equals 10.636 which is more than calculated T which equals 1.98 and significance level at 0.000 which is less than 0.05, and in turn this denotes that opinions of respondents in this item are positive. i.e. they agree that the executives are satisfied with the firm equipments and assets.

In Item (58) it is clear that 25.2% of respondents agree that the executive are satisfied with the firm equipments and assets, but 11.5% of them disagree, and significance level at 0.494 which is more than 0.05, and in turn this denotes that opinions of respondents in this item are Neutral. This study agree with (Chakravarthy, & Lorange,1991), and study of (Anderson,2003), which conducted an analysis of growth types in three Swedish small businesses with high growth rate. Moreover, this study agrees with the study of (Wise,2005), which focused on managers satisfactory and their activities to develop resources; in order to increase firm growth.

In general , table (32) shows that the total average of this field items equals 3.278, calculated T-Test equals 8.505 which is more than calculated T which equals 1.98, and significance level is 0.000, which is less than 0.05 which denotes that respondents agree that firms develop the resources which help increasing its growth.

## 5.9 Hypothesis Testing

### 5.9.1 The first hypothesis:

**There is no statistical differences in respondents' opinions about strategic planning of the firm due to firms organizational variables significant at  $\alpha = 0.05$**

**From this main hypothesis there are four sub-hypothesis as follows:**

#### 5.9.1.1 First sub-hypothesis:

**There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the age of the firm significant at  $\alpha = 0.05$**

To testify this sub-hypothesis One Way ANOVA test was used, as data follows the normal distribution, results are showed in table (33), where  $F = 0.962$ , i.e. is less than the tabulated  $F$ , which equals 2.60, and significant at 0.412, which is above 0.05, this denotes the acceptance of the null hypothesis, i.e. There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the age of the firm significant at  $\alpha = 0.05$ . The researcher refers that to the fact that strategic planning is considered recent in Palestine, so we see that there was no differences in this term, and this result agrees with (Al-khateeb,2003).

#### 5.9.1.2 Second sub-hypothesis:

**There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the size of investment of the firm (by U.S Dollars) significant at  $\alpha = 0.05$ .**

To testify this sub-hypothesis One Way ANOVA test was used, as data follows the normal distribution, results are showed in table (33), where  $F = 0.822$ , i.e. is less than the tabulated  $F$ , which equals 3.0, and significant at 0.441, which is above 0.05, this denotes the acceptance of the null hypothesis, i.e. There is not a statistical differences in



respondents' opinions about strategic planning of the firm due to the size of investment of the firm (by U.S Dollars) significant at  $\alpha = 0.05$ .

This denotes that the size of investment of the firm does not mean that firms may conduct strategic planning as it have or not much investment, and the researcher refers this to the other results revealed by this research where the majority of firms do not practise strategic planning, nor allocating resources to it, and this result disagrees with (Abu-Muammar, 2002), but agrees with (Annajar 2002) and (Al-Omar, 2000).

### 5.9.1.3 Third sub-hypothesis:

**There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time which plans cover significant at  $\alpha = 0.05$ .**

To testify this sub-hypothesis One Way ANOVA test was used, as data follows the normal distribution, results are showed in table (33), where  $F = 2.183$ , i.e. is less than the tabulated  $F$ , which equals 3.0, and significant at 0.121, which is above 0.05, this denotes the acceptance of the null hypothesis, i.e. - There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time which plans cover significant at  $\alpha = 0.05$ .

This denotes that the period of time the firm using strategic planning does not mean that firms may conduct strategic planning as it have long or short time period of each plan, and the researcher refers this to the other results revealed by this research where the majority of firms do not practice strategic planning with , nor allocating resources to it, and this result agrees with (Stewart, 2003), but disagrees with (Naffziger & Mueller, 2004) and ( Anderson, 2003)

#### 5.9.1.4 Fourth sub-hypothesis:

**There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time the firm using strategic planning, significant at  $\alpha = 0.05$ .**

To testify this sub-hypothesis One Way ANOVA test was used, as data follows the normal distribution, results are showed in table (33), where  $F = 2.360$ , i.e. is less than the tabulated  $F$ , which equals 2.6, and significant at 0.080, which is above 0.05, this denotes the acceptance of the null hypothesis, i.e. There is not a statistical differences in respondents' opinions about strategic planning of the firm due to the period of time the firm using strategic planning significant at  $\alpha = 0.05$ . This denotes that firms do not have clear conceptions of strategic planning, and this affects their usage of strategic planning process, and this agrees with the study of (Al-khateeb, 2003) and (Abu-Muaamar, 2002), but this disagrees with (Annajar, 2002), (Perren, 2000), and (Ennis, 1999). The researcher refers this differences to the business environment of each place the studies were conducted.

**Table ( 33)**

**One Way ANOVA  
According to the firm organizational characteristics**

<b>One Way ANOVA</b>				
<b>Organizational characteristic</b>		<b>Mean</b>	<b>F value</b>	<b>Significance level</b>
<b>Age of the firm</b>	Less than 3 years	2.9872	0.962	*0.412
	3 - less than 6 years	3.0936		
	6 - less than 9years	2.9688		
	9 years and more	2.8423		
<b>size of investment of the firm( by U.S Dollars)</b>	Less than 10000 U.S \$	3.0049	0.822	**0.441
	10000- 100000 U.S\$	2.9956		
	More than 100000 U.S\$	2.8479		
<b>period of time the firm uses strategic planning</b>	Less than 1 year	3.2849	2.183	**0.121
	1-3 years	2.9857		
	4 years and more	3.3097		
<b>period of time the firm using strategic planning</b>	Less than 1 year	3.5851	<b>2.360</b>	<b>*0.080</b>
	1-3 years	2.8915		
	4-6 years	3.1241		
	7 years and more	3.3070		

\*value of tabulated  $F$ , at free level ( 3,161), significant at 0.05 equals 2.60

\*\*value of tabulated  $F$ , at frese level (2,162), significant at 0.05 equals 3.

## 5.9.2 The second hypothesis:

**There is a positive correlation between strategic planning and the growth of small industrial businesses**

From this main one there are four sub -hypothesis:

### 5.9.2.1 First sub-hypothesis

**There is a significant positive relationship between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) at (0.05) level.**

To test this hypothesis the researcher used Chi-Square to measure the interaction between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to), in addition the researcher used Pearson Correlation Coefficient for measuring the relationship between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) and the direction of this relationship.

Table (34) shows that Chi-Square Test value =1550.634, and this considers more than tabulated Chi-Square which equals 160.132 , and that denotes that there is an interaction between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) , also table (34) shows that Pearson correlation coefficient equals 0.556 significance at 0.000 level which is less than 0.01, and that denotes a strong positive correlation between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) significance at 0.01 level. This denotes that Characteristics of the firm (size, age, industry which firms belong to) are positively affecting strategic planning process, where firm size seems a good factor for firm to practise strategic planning, also firm's age reflects that the more the age of firm is , the more it practices strategic planning,

moreover the type of industry the age belongs to is affecting the ability and practice of strategic planning.

**Table (34)**

**Chi-Square Test and Pearson correlation coefficient concerning the relationship between Strategic Planning and characteristics of the firm ( firm size, firm age , the industry which the firm belongs to )**

<b>Chi-Square Test</b>		
Pearson Chi-Square	df	Asymp. Sig. (2-sided)
1550.634	945	0.000
<b>Correlation</b>		
Pearson Correlation	Sig. (2-tailed)	N
**0.556	0.000	165

Correlation is significant at the 0.01 level (2-tailed)

### 5.9.2.2 Second sub-hypothesis:

**There is a significant positive correlation between strategic planning and growth in sales/ revenues at (0.05) level.**

To test this hypothesis the researcher used Chi-Square to measure the interaction between strategic planning and the growth in sales/revenues, in addition the researcher used Pearson Correlation Coefficient for measuring the relationship between strategic planning the direction of this relationship.

Table (35) shows that Chi-Square Test value = 424.309, and this considers more than tabulated Chi-Square which equals 160.132 , and that denotes that there is an interaction between strategic planning and growth in sales/ revenues, also table (35) shows that Pearson correlation coefficient equals 0.387 significance at 0.000 level which is less than 0.01, and that denotes a strong positive correlation between strategic planning and growth in sales/ revenues significance at 0.01 level. This reflects that the more firms conduct and practise strategic planning the

more they gain revenues and profits. So, it is clear here that strategic planning improve the ability of firms to increase their abilities to survive and hence to keep always up to date with market, and in turn satisfy the needs of customers. In addition, propensity of firms may encourage them to improve and continue its usage of strategic planning .

**Table (35)**

**Chi-Square test and Pearson correlation coefficient to find the relationship between strategic planning and growth in sales/ revenues**

<b>Chi-Square Test</b>		
Pearson Chi-Square	df	Asymp. Sig. (2-sided)
424.309	252	0.000
<b>Correlation</b>		
Pearson Correlation	Sig. (2-tailed)	N
** .387	0.000	165

\*\*Correlation is significant at the 0.01 level (2-tailed)

### 5.9.2.3 Third sub-hypothesis:

**There is a significant positive relationship between strategic planning and market share expansion at (0.05) level.**

To test this hypothesis the researcher used Chi-Square to measure the interaction between strategic planning and Market share expansion, in addition the researcher used Pearson Correlation Coefficient for measuring the relationship between strategic planning and the direction of this relationship.

Table (36) shows that Chi-Square Test value = 445.493, and this considers more than tabulated Chi-Square which equals 160.132 , and that denotes that there is an interaction between strategic planning and Market share expansion, also table (36) shows that Pearson correlation coefficient equals 0.386 significance at 0.000 level which is less than

0.01, and that denotes a strong positive correlation between strategic planning and Market share expansion significance at 0.01 level.

This denotes that the more strategic planning is being practicing, the more firms can expand and gain more and more market expansion, this in turn clarifies the fact that strategic planning when is practiced on clear and scientific conceptions, and this agrees with many previous studies conducted in this term.

**Table (36)**

**Chi-Square Test and Pearson correlation coefficient concerning the relationship between Strategic Planning and Market share expansion**

<b>Chi-Square Test</b>		
Pearson Chi-Square	df	Asymp. Sig. (2-sided)
450.493	252	0.000
<b>Correlation</b>		
Pearson Correlation	Sig. (2-tailed)	N
**0.386	0.000	165

Correlation is significant at the 0.01 level (2-tailed)

#### **5.9.2.4 Fourth sub-hypothesis:**

**There is a significant positive relationship between strategic planning and establishment of new locations / sites at (0.05) level.**

To test this hypothesis the researches used Chi-Square to measure the interaction between strategic planning and establishment of new locations / sites, in addition the researcher used Pearson Correlation Coefficient for measuring the relationship between strategic planning the direction of this relationship.

Table (37) shows that Chi-Square Test value =480.855, and this considers more than tabulated Chi-Square which equals 160.132 , and that denotes that there is an interaction between strategic planning and New sites expansion, also table (38) shows that Pearson correlation

coefficient equals 0.499 significance at 0.000 level which is less than 0.01, and that denotes a strong positive correlation between strategic planning and New sites expansion significance at 0.01 level.

This in turn denotes that strategic planning improve firms plans to expand their activities everywhere to compete and open new places to distribute its products, and this makes firms avoid lost, and increase its abilities to produce and widen its presence in the areas where they expand. But from the point of view of the researcher, this is to some extent not right, as Palestine face too hard and bad conditions due to the Israeli aggression and policies specially in the period of time where this study is conducted

**Table (37)**

**Chi-Square Test and Pearson correlation coefficient concerning the relationship between Strategic Planning and new branches expansion**

<b>Chi-Square Test</b>		
Pearson Chi-Square	df	Asymp. Sig. (2-sided)
480.855	252	0.000
<b>Correlation</b>		
Pearson Correlation	Sig. (2-tailed)	N
** 0.499	0.000	168

Correlation is significant at the 0.01 level (2-tailed)

#### **5.9.2.5 Fifth sub-hypothesis:**

**There is a significant positive relationship between strategic planning and increasing of staff in the firm at (0.05) level.**

To test this hypothesis the researches used Chi-Square to measure the interaction between strategic planning and increasing of staff in the firm, in addition the researcher used Pearson Correlation Coefficient for measuring the relationship between strategic planning and increasing of staff in the firm and the direction of this relationship.

Table (38) shows that Chi-Square Test value =448.795, and this considers more than tabulated Chi-Square which equals 160.132 , and that denotes that there is an interaction between strategic planning and increasing of staff in the firm , also table (38) shows that Pearson correlation coefficient equals 0.485 significance at 0.000 level which is less than 0.01, and that denotes a strong positive correlation between strategic planning and increasing of staff in the firm significance at 0.01 level. This denotes that strategic planning in small industrial businesses open new opportunities for manpower through the new branches and locations of firms, moreover, the success of firms pushes them to expand their activities and in turn need more and more staff. The strong relationship between strategic planning and increasing in staff in firms reflects how much strategic planning is useful and helpful for raising the capacity of firms to increase its success and propensity.

**Table (38)**

**Chi-Square Test and Pearson correlation coefficient concerning the relationship between Strategic Planning and the increasing of staff in the firm**

<b>Chi-Square Test</b>		
Pearson Chi-Square	df	Asymp. Sig. (2-sided)
448.795	252	0.000
<b>Correlation</b>		
Pearson Correlation	Sig. (2-tailed)	N
0.485	0.000	165

Correlation is significant at the 0.01 level (2-tailed)



# Chapter Six

## Conclusions and Policy Implications

## 6.1 Conclusions

- 1- The classification of Industry to which the firm belongs to is, 100% of firms. The researcher justifies this high percentage of industrial firms to the fact that he chose the industrial sector to have a homogeneous sample.
- 2- Top management are primarily responsible for strategic planning, where they represent %52.1 of the employees in units which develop strategic plans in firms; Whereas %44.8 of the employees in different levels participate in developing strategic plans. Furthermore %3.0 of employees in units which develop strategic plans in firms are from the Strategic Planning committee which was formed by the top management. The top management here relatively equal with the other units which take share in developing strategic planning, and this, from the point view of the researcher reflects that top management tends somehow to be centralized, sometimes, but another time it gives the other management levels the opportunity to develop strategic planning. But here the researcher notices that the top management does not tend to form specialized committee in wide range, which is considered a shortcoming in practicing strategic planning from the researcher point of view.
- 3- More than half of the sample do not prepare strategic plans; the ratio was %58.8 of the firms, whereas %41.2 of firms do. This indicates that the majority of firms in the sample do not practice strategic planning. Due to time period, %16.2 of the strategic plans duration is less than one year, %35.3 of strategic plans duration is from one to three years, and %48.5 of strategic plans duration is four years. Here about half of strategic plans duration is four years. But here the

research does not believe that %41.2 of firms prepare strategic plans, the researcher refers this ratio to the fact that many people do not talk frankly or accurately in such a scientific way.

- 4- Firms of the sample use written strategic plans, as %50.0 of firms use written strategic plans for seven years, where %9.1 of firms use written strategic plans for four to six years, but %9.1 of firms use written strategic plans for one to three years, and %2.4 of firms use written strategic plans for less than a year .
- 5- Firms of the sample rarely use outside consultancy , as the research shows that %23.6 of the firms use external consultancy to develop strategic plans; while %76.4 of the firms do not. The research refers it to many reasons, first , strategic planning is completely new in Gaza, moreover the hard circumstances which all Palestinian territories live due to the Israeli policies ( closure, destroying establishments, ..etc.), this in turn affects the financial abilities of these firms, which try to short cut expenditures as can as possible. Also, due to circumstances mentioned above, it seems that firms of sample do not allocate suitable resources, as %28.5 of firms allocate appropriate resources for strategic plans, yet %71.5 do not.
- 6- The firms of the sample analyze its Internal Environment , by determining and evaluating its Strengths and Weaknesses points, but it was unclear if firms analyze its external environments or not, external environment analysis like: ( long range implications , formal procedures for evaluating threats and opportunities and a wide management participation in the determining threats and opportunities of the external environment, such as, political, social...etc., .

- 7- Firms have not a formal statement mission and have not developed it, and its statement of mission is not long-term in nature. Also firms have not a formal statement of its objectives and goals, nor has established long-term and short-term objectives and goals and even has not developed it, moreover there is not wide management participation not long-term in nature. formulating the firm objectives and goals and its objectives and goals are
- 8- Firms do not take care of formulating strategies well, nor take care of controlling and evaluating strategies. But firms develop the resources which help increasing its growth. Not clear if firms take care of implementing strategies .
- 9- The study shows a significant positive correlation between strategic planning and growth in sales/ revenues .
- 10- The study shows a significant positive relationship between strategic planning and market share expansion .
- 11- the study also shows a significant positive relationship between strategic planning and New sites expansion .
- 12- The study shows a significant positive relationship between strategic planning and increasing of staff in the firm .
- 13- The study also shows a significant positive relationship between strategic planning and Characteristics of the firm (firm size, firm age, industry which the firm belongs to) .

## 6.2 Policy Implications

Generally speaking, the primary goal of small business is survival. This research confirms that strategic planning may lead to significant growth such as in revenues, sales, new sites/locations, and market share. A number of implications for business managers and scholars are emerged from this research:

1. Give more consideration to strategic planning process based on scientifically techniques and adopt the clear conceptions of it by providing more well trained managers, to assure practicing strategic planning in a good manner.
2. For small firms to stay competitive in an changeable and increasingly environment, so it is necessary for them to practice formal strategic planning.
3. Using and commitment to strategic planning are considered as very important to small business growth as evident in the statistically significant correlation found between strategic planning and growth.
4. Top management or small business owners seem to be an effective and crucial factor in practicing strategic planning, where it is apparent that they are primarily responsible for the business planning efforts of their firms, but it is important for them to develop their abilities and also give lower management chance to do so.
5. Outside consultancy will make strategic planning more effective and appropriate since small industrial firms get benefits from specialized teams and firms, so it is very recommended to do so.

6. Strategic studies are relatively new in Palestine so, it is recommended to do strategic studies in many fields of specific sectors.
7. Colleges and universities are might consider offering additional strategic planning classes in their business management curricula.
8. This study and other studies concerned with for- profit , and so the research recommend to study for non profits firms as well, since this sector of establishments represents a critical factor in the Palestinian society who suffers day after day by Israeli policies.
9. Repeating this study on many several specific categories of establishments like services, industry, agriculture, wholesales, retailers, agriculture, and many types of establishments.
10. Strategic planning seems not to be practiced widely in firms of the research sample, for instance written statement, statement of goals and objectives, are rarely used, or sometimes never used, so the researcher recommends here to widen the practice of strategic planning in small firms.
11. Provide more training programs in order to develop the abilities and skills of all employees, specially top management and individuals who is related to strategic planning process.
12. Preferable to appoint a strategic planning manager or department in the organizational structure of firms to enhance and develop this process, although some may criticize this suggestions small businesses really do not need like this department because they are too small, and can not dedicate like this in practical life, but here the

researcher mentions that people must be put in the right track and after that they have the right to chose the best for their businesses.

13. Using technology and computerized systems, like specialized software in strategic planning, helps in easing and facilitating this process, but of course according to the principle of cost and return.
14. Incorporate additional growth measures such as return on investment, inventory turnover, return on assets, customer service index, cash flow, and employee turnover.

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[www.entarga.com](http://www.entarga.com)

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[www.managementhelp.org](http://www.managementhelp.org)

## Appendix ( 1 )

**The Islamic University – Gaza**  
**Deanery of Graduate Studies**  
**Faculty of Commerce**  
**Business Administration**  
**Department**



### QUESTIONNAIRE

#### General instructions:

This questionnaire collect information concerning the nature and scope of strategic planning in your firm. Please describe the planning practices as you see in your firm

Data collected with this questionnaire will be treated confidentially and presented only in summary form without disclosing the name of the respondent.

**please indicate the industry category that best describes your firm:**

- |               |                          |             |                          |
|---------------|--------------------------|-------------|--------------------------|
| Manufacturing | <input type="checkbox"/> | Wholesaling | <input type="checkbox"/> |
| Construction  | <input type="checkbox"/> | Agriculture | <input type="checkbox"/> |
| Services      | <input type="checkbox"/> | Other       | <input type="checkbox"/> |

#### **Part "I"**

**Please indicate the person or unit that develops strategic plans in your firm:**

##### **1. The chief Executive officer (CEO)**

- A strategic planning committee made up of all or selected members of top management
- A centralized planning department
- Top management
- Different managerial levels participate in firm strategic planning

##### **2. Does your firm prepare written strategic plans?**

- Yes       no



a) **if yes, check the appropriate space concerning the time period covered by these strategic plans**

less than one year       1-3 years

4 or years more

b) **how long have your firm using strategic plans ?**

less than one year       1-3 years

4- 6 years       7 or more years

3. **Does your firm use outside consultants in developing strategic plans?**

Yes

No

4. **Does\_Your firm allocate adequate resources for carrying out strategic plans?**

Yes

No

### **Organizational variables**

5. **Age of the firm**

1-3 years

3- 6 years

6- 9 years

10 or more years

6. **Firm's capital size by ( U.S \$)**

Less than 10.000\$

10.000\$ - 100.000\$

more than 100.000\$

If yes, please complete parts a and b otherwise please proceed to part II of the questionnaire

## Part II

### Directions:

for each of the statements below , please circle the number that best describes how much you agree or disagree with the statement :

strongly disagree (SD)                      disagree (D)                      No Opinion (N.O)

Agree                      (A)                      Strongly Agree (SA)

### **FIRST : ENVIRONMENT ANALYSIS:**

#### **Internal Environmental analysis:**

No	Details	SD	D	N.O	A	SA
<b>Internal Environmental analysis :</b>						
1	The firm determines its strengths points.					
2	The firm determines its weaknesses points					
3	There is wide management participation in determining your firm strengths					
4	There is wide management participation in determining your firm weaknesses					
5	The long term impacts of organizational strengths are evaluated					
6	The long term impacts of organizational weaknesses are evaluated					
<b>External Environment Analysis</b>						
7	The long-range implications of external environmental(political social etc.)threats and opportunities are considered.					
8	Your firm has formal procedures for evaluating external environmental (political,social,etc.) threats and opportunities					
9	There is wide management participation in identifying threats and opportunities of external environment (political economic ,social etc.)..					
<b>Second: - Firm Mission</b>						
10	You have a formal statement of your firm's mission.					
11	Your mission is long-term in nature					
12	Your firm has developed a statement of mission					
13	All your employees understand the firm mission and committed to it					
<b>Third : - Firm Objectives &amp; Goals</b>						
14	You have a formal statement of or firm goals and objectives					
15	Your firm have established both long-range and					

No	Details	SD	D	N.O	A	SA
	short-range goals and objectives					
16	Your firm develops goals and objectives continuously					
17	there is wide management participation in establishing goals and objectives					
<b>Fourth :- Strategy Formulation</b>						
18	There is wide management participation t in developing strategic alternatives.					
19	When formulating strategy, you identify any external environmental (political economic ,social etc.) threats and opportunities.					
20	Budgets for strategic plans are developed .					
21	The results of your strategic planning process clearly spell out what will be done, when and by whom					
22	You attempt to project the outcome of strategic alternatives facing your firm.					
23	When selecting a strategy , your firm is concerned with long-term implications .					
24	Your firm has formed procedures for strategy selection					
25	You develop budgets for all strategic alternatives					
26	. Alternatives are developed before a strategic plan is adopted					
27	Your firm has no formal procedures for identifying strategic alternatives					
28	when formulating strategy ,we identify strengths and weaknesses of your firm					
29	In developing alternative strategies ,long-range considerations are important					
<b>Strategy Implementation</b>						
30	Once strategy has been selected it is so implemented					
31	Long-range factors are important when implementing strategy					
<b>Strategy Controlling &amp; Evaluatong</b>						
32	There is wide participation by management in the review and evaluation of strategic plans					
33	Review and evaluation are important in your strategic planning process					
34	You identify and monitor other companies providing products or services similar to yours					
35	Your firm has formal procedures for reviewing and evaluating strategies .					

No	Details	SD	D	N.O	A	SA
36	there is continuous review and evaluation of the strategic plan					
37	Do you think your strategic plans are very sophisticated?					
38	Are your strategic plans suitable to your firms objectives and goals?					
<b>Firm Growth</b>						
39	The sales/ revenue growth rate of your business is higher than that of your key competitors					
40	The sales /revenue growth rate of your business is lower than that of your key competitors .					
41	The profit margin growth rate of your business is higher than that of your key competitors.					
42	The profit margin growth rate of your business is lower than that of your key competitors.					
43	Your firm establishing new sites / locations at a faster rate than that of your key competitors.					
44	Your firm is establishing new sites / locations at a slower rate than that of your key competitors					
45	The customer /client base of your business is growing at a faster rate than that of your competitors					
46	The customer / client base of my business is growing at a slower rate than that of your key competitors					
47	Your firm is increasing its staff at a faster rate than that of your key competitors.					
48	Your firm is increasing its staff at a slower rate than that of your key competitors.					
49	Does your firm's size contribute to increasing growth of the firm?					
50	Does your firm's age increase the growth of the firm ?					
51	Do you think that the type of your business increase the growth of the firm?					
<b>As planning executive , you are satisfied with the :</b>						
53	participation of personal in the strategic planning effort					
54	goal achievement of your firm					
55	morale of firm personnel					
56	financial status of the firm					
57	equipment and facilities of the firm.					
58	planning process in your firm .					

The researcher appreciates your cooperation in completing this questionnaire and welcome any comments, pertaining to strategic planning, on the bottom of this page. Thank you for your patience and consideration.

**Comments:**

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**Mueen Ghazi A.El-Mobayed**

**Best Regards,,,**

# Appendix ( 2 )



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-1

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2

$$4 \quad \square \quad 3-1 \quad \square \quad \square$$

$$\begin{array}{r} \vdots \\ 3-1 \\ 7 \end{array} \quad \begin{array}{c} \square \\ \square \end{array} \quad \begin{array}{r} - \\ 6-4 \\ \square \end{array}$$

**-3**

$$\begin{array}{c} \square \\ \square \end{array} \quad \begin{array}{c} \square \\ \square \end{array} \quad -4$$

$$\begin{array}{c} \square \\ \vdots \\ \hline \square \end{array} \quad -5$$

$$\begin{array}{r} 6-3 \\ 10 \end{array} \quad \begin{array}{c} \square \\ \square \end{array} \quad \begin{array}{r} 3-1 \\ 9-6 \end{array} \quad \begin{array}{c} \square \\ \square \end{array}$$

**-6**

$$\begin{array}{r} \$10.000 \\ \$100.000 - \$10.000 \\ \$100.000 \end{array} \quad \begin{array}{c} \square \\ \square \\ \square \end{array}$$

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							<b>13</b>

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