

**STRATEGIC THINKING PRACTICES IN YEMENI SMALL AND  
MEDIUM SIZED ENTERPRISES (SMEs)**

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**STRATEGIC THINKING PRACTICES IN YEMENI SMALL AND  
MEDIUM SIZED ENTERPRISES (SMEs)**

A project paper submitted to the College of Business in partial fulfillment of the requirements for  
the degree of Master of Science management

Universiti Utara Malaysia

BY:

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## **ABSTRACT**

Strategic management scholars and practitioners concur that strategic thinking is one of the integral components of the strategic management, and consequently suggest that firms that infuse strategic thinking practices would be able to realize better performance through the formation and implementation of more innovative and effective strategies. Despite the proposition, the literature review indicated studies that examine strategic thinking remain limited. This research presents an attempt to explore the strategic thinking practices of small and medium size enterprise (SMEs) in Yemen. In this research, questionnaires were sent to 50 SMEs selected from the sampling frame. All of the 50 SMEs completed and returned the questionnaires providing a response rate of 100 percent. The findings of this study indicate that in general the SMEs adopt some form of strategic thinking practices. More specifically the SMEs that participated in this study tend to emphasize strategic thinking practices that include, obtaining foresight, holistic perspective, acquiring insight, focus on creativity pragmatic aspect maintaining objectivity achieving relative advantage and maintaining focus.

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**Mohsen Hasan Ali Bahaj**

30 / 3 /2010

## TABLE OF CONTENTS

TITLE	PAGE
Permission to use	i
Declaration	ii
Abstract	iii
Acknowledgement	iv
Table of Content	v
List of Table	ix
List of Figures	ix

## TABLE OF CONTENT

### Chapter 1: Introduction

1.0	Introduction to the Study	1
1.1	Background of the Problem	2
1.2	Problem Statement	3
1.3	Research Question	4
1.4	Research Objectives	4
1.5	Significant Of the Study	5
1.6	Scope of the Study	5
1.7	Definition of Key Terms	6
1.8	Organization of the Study	6

### Chapter 2: Literature Review

2.0	Introduction	8
2.1	Small and Medium sized Enterprise (SMEs)	8
2.2	Strategic Thinking	10
2.3	The Elements of Strategic Thinking	17
2.4	Conclusion	30



## **Chapter 3: Methodology**

3.0	Introduction	31
3.1	Research Framework	31
3.2	Population and Sample	32
3.3	Data Collection	33
3.4	Survey Instruments	34
3.5	Data analysis	35
3.6	Reliability analysis	36
3.7	Conclusion	37

## **Chapter 4: Findings**

4.0	Introduction	38
4.1	Overview of Data Collected	38
4.1.1	Response Rate	38
4.2	Respondents Profile	39

4.3	Descriptive Analysis	45
4.4	Conclusion	51

## **Chapter 5: Discussion, Recommendation and Conclusion**

5.0	Introduction	52
5.1	Discussion	52
5.2	Limitation of the Study	54
5.3	Implication of the study	54
5.4	Recommendation for future research	55
5.5	Conclusion	56
	References	57
	Appendix	66

## LIST OF TABLES

No.	Items	Page
1.	Figure 2.1 Strategic thinking elements	17
2.	Table 2.1 element of strategic thinking	22
3.	Table 3.1 Total number of sampling employees	33
4.	Table 3.2 Result of the reliability analysis	37
5.	Table 4.1 Response Rate	38
6.	Table 4.2.1 Respondents Profile	39
7.	Table 4.2.2 characteristics of the participating firms	43
8.	Table 4.3 Mean score for strategic thinking emphasis	46

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 INTRODUCTION**

Organizations nowadays look towards strategic thinking as a substitute for traditional directions of strategic management which is focused on strategic planning (Younis, 2000). Strategic thinking has become an important key to success to every organization and became the major pathway that management must pass through, so as to face the challenges of modern day environment (Jaugh & Glueck, 1988).

Previous studies explained that the basic term of strategic thinking is focused on the present situation of the organization and what could be done in this context Person (1999). Stump (1984) pointed out that strategic thinking involves the definition of the different methods to reach the individuals chosen targets, and identify the activities which those individuals need to get to where they desire. Rowe & Mason (1994) showed that strategic thinking generates a concept regarding the changes of circumstances and how they take place.

The Hamilton strategic management group (1999) explained that strategic thinking shows clearly the stages necessary to start reforming the basic pillars for the future of organizations. Ohmae (1982) also showed that the initial step in strategic thinking is to look for a clear understanding of the characteristic of each element from the situation

faced by the organization. After that comes the use of full capabilities of the human brain to reshape an item in a very useful.

## **1.1 BACKGROUND OF THE PROBLEM**

In recent years strategic thinking received more attention from the organizations, management, scholars and consultants. It has become an essential component of the strategic management. Previous studies showed that organizations which practice strategic thinking would be able to formulate and implement more effective and innovative strategies enhancing their performance and chances for survival, this makes an important evidence to increase the number of academic journal in this area.

Globalization had brought a lot of impact on organization. Those impacts made organizations particularly the Small and Medium Sized Enterprises SMEs to be aware of any changes that are happening everyday. The main reason for doing so, is to be able to compete with each other and in order to keep surviving in the business area. Organizations also need to adopt a good strategy to give satisfaction to its internal environment such as suppliers and employees of the organization, so organizations could never stand without having strategic thinking which helps to predict the present situation of the organization and what could be done.

## 1.2 PROBLEM STATEMENT

Although there are benefits that can be obtained from the strategic thinking as suggested by most of authors from the past studies , research that focused on strategic thinking especially those of Yemeni SMEs remain limited in a number of ways . There is a need of additional studies and quantitative evidences to prove the important of strategic thinking for the organizational success.

Also from the previous studies we can see that most of the authors were focusing to investigate the strategic thinking on the large organization (such as: Barnett and Berland; 1999, Linkow; 1999, Millet; 1988, Thakur and Calingo: 1992).

The different researchers showed different elements of strategic thinking resulting in a strategic thinking variable that tend too focused on a number of elements and overlooking other important elements.

Thus, there is a need to introduce more comprehensive strategic thinking variable that included the difference and important strategic thinking elements as defined by most authors in the literature. Doing so, would provide a more comprehensive strategic thinking variable that very much reflecting the suggestions made by most authors. So we need additional study that show the impact of strategic thinking on Small and Medium Sized Enterprises SMEs in Yemen.

This study seeks to address some of the shortcomings by identifying the various strategic thinking elements and the extent of strategic thinking emphasized by the Yemeni SMEs

### **1.3 RESEARCH QUESTIONS**

This study attempts to discover answers for the following research questions on strategic thinking practices of Yemeni SMEs.

- 1- Do Yemeni SMEs adopt strategic thinking practices?
- 2- What is the level of strategic thinking practices among Yemeni SMEs?
- 3- What are the strategic thinking dimensions emphasized by Yemeni SMEs?

### **1.4 OBJECTIVES OF THE STUDY**

Following the views presented in the literature, this study initiates an attempt to investigate the strategic thinking practices among Yemeni SMEs. More specifically, the objectives of this study include the following:

- 1- To determine whether Yemeni SMEs adopt strategic thinking practices.
- 2- To examine the level of strategic thinking practices among Yemeni SMEs.
- 3- To identify the strategic thinking dimensions emphasized by Yemeni SMEs.

### **1.5 SIGNIFICANCE OF THE STUDY**

1. This study would contribute to the literature on strategic management by providing some insight into the strategic thinking practices adopted by SMEs in the republic of Yemen.
2. This study would be able to indicate to what extent the Yemeni SMEs adopt the strategic thinking practices.
3. The result of this study may indicate the relevance of strategic thinking practices of Yemeni SMEs
4. The result of this study may also be useful to Yemeni SMEs supporting agencies. More specifically, the agencies would be able to use the information from this study to develop training programs for the Yemeni SMEs.

### **1.6 SCOPE AND LIMITATIONS OF THE STUDY**

This study is limited in number of ways: First the study only focused on firms that are operating in Hadhramote. The second limited concern the SMEs in Yemen. This study focused on the SMEs in Yemen which employ not more than 100 employees.



## 1.7 DEFINITION OF TERMS

**Strategic thinking:** Its particular *way* of thinking, with very specific and clearly identifiable characteristics of the business or organization Liedtka (1998).

**Small and Medium Sized Enterprises SMEs:** is a convenient term for segmenting businesses and other organizations that are somewhere between the "small office-home office" size and the larger enterprise. In this study the SME refers to firms that employ not more than 100 employees.

## 1.8 ORGANIZATION OF THE STUDY

This is the first chapter out of the five chapter of the project paper which has presented the background of the study as an introduction, describes the problem statement, research questions, research objectives and the significance of the study.

Chapter 2 will review the strategic thinking research findings done by other researchers and also the elements of the strategic thinking that can affect Yemeni Small and Medium Sized Enterprises SMEs.

Chapter 3 presents the method of the study, which is the research design and procedure. The chapter mentions the selection of the respondents, sample types and size, the development of the questionnaire for the research and data collection procedure.

Chapter 3 ends with a brief description of the strategies and procedures that were used to analyze data collection from the survey.

Chapter 4 discusses the interpretation of the research findings. There are reports of the descriptive statistical analysis. The results are summarized in a number of tables to facilitate interpretation.

Chapter 5, the final chapter, discusses the interpretation of the research findings from the study. The findings from this study are compared to those found in past researches.

## **CHAPTER 2**

### **LITRETURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter presents the literature review of the study. The literature review consists three sections. Section one discusses small and medium sized enterprises SMEe. Section two presents the literature on strategic thinking. Section three highlights the elements of strategic thinking.

#### **2.1 SMALL AND MEDIUM SIZED ENTERPRISES SMEs**

According to Cawe (2006), a literature review provides a meaningful context of a project with the universe of research that already exists. A literature review sets the basis for any discussion or analysis or contemplation of implications or anticipations of future researches. In sum, literature review presents the justification, the reason of a research topic.

The present global economy offers small and medium sized enterprises SMEs more cross border opportunities, and they now have an increasingly important role in international markets( Andersson, Gabrielsson and Wictor 2004; Bacon and Hoque

2005). So the reason behind the promotion to study on SMEs comes from the perceived failure of large enterprises in creating adequate productive jobs to absorb a significant share of the rapidly growing labor force in many developing countries ( Snodgrass and Biggs, 1996), where the previous studies showed that SMEs help to generate external economies through the formation of industrial clusters and positioning themselves near large enterprises. Such clustering behavior enables them to reduce cost and acquire better facilities as well as skilled human resources through the sharing of specialized suppliers, labor market pooling, and development through knowledge spillover (Perkins 2000) , which would, as a result, helps SMEs to capture productivity growth from the entire industry. According to the OECD(2000), SMEs make up 25 to 35% of world export manufacturers, an about one- fifth of manufacturing SMEs earn 10 to 40% of their sales from cross border activities , in addition , SMEs have become significantly internationalized (Andersson et al. 2004; lu and Beamish 2001).

Like many other countries around the world Yemeni SMEs play strong role in employment generation as well as ensuring country's economic development. The issue of Small and Medium Size Enterprises SMEs is not a new concept in economic development and management term. Though previous research emphasized that SMEs can play an important role in economic development in any country, a little insight on the relationship between strategic thinking and Medium Size Enterprises SMEs as that of large enterprises (LEs) in developing countries (Bruch and Hiemenz (1984 Karlsson et al. (1993) , Kunasirin (1984) , and Liedholm et al. (1999)).

## **2.2 STRATEGIC THINKING**

The increasing pressures from the rapid changes that are occurring in the business environment have led to a variety of responses among industrial organizations. Globalization of markets and production, the rate of technological innovation and fluctuation in consumer demand are among the factors that have increased the dynamism of the competitive environment to which organizations must respond. These factors make it very difficult for companies to further differentiate themselves from their competitors on the basis of products, prices, and technology (Fisher, Schoenfeldt, & Shaw, 2006).

Small and Medium Sized Enterprises SMEs in a global economy nowadays, they need to search and implement new strategies that are concerning in improving and developing their assets which leads to increase an organizational performance, thus many organizations are now concerning and focus on the strategic thinking which is very important key to organization success.

The focus on strategic thinking can be considered timely considering the challenges faced by most organizations today. The present environment characterized by the disappearance of industry and national boundaries and rapid advancement of communication technology resulted in greater turbulence and competition. This would pose greater challenges for organizations particularly for the Small and Medium Sized Enterprises SMEs which are somewhat constraint in terms of resources. In confronting these new challenges, the ability to infuse strategic thinking would be an added advantage

for these organizations.

Because of the evidence points of the relationship between thinking with the competitive position, the scholars looked towards using the term strategic thinking as alternative to the traditional directions of strategic management which is focused on strategic planning (Younis, 2000). This term has become an expression of the exceptionally good situation of the successful organizations and became the main pathway that administrations must pass through in order to face the challenges of modern day environment (Jaugh & Glueck, 1988).

A review of the literature also showed that the term strategic thinking is also being widely used in the field of management. Though widely used, today, there is no one standard definition of strategic thinking. This is so as different authors used the term differently. Regardless of the differences most authors agreed that, strategic thinking is an essential part of the strategic management process. (Hashim, 2005; De Witt and Meyer, 2004; Harrison, 2003; Heracleous, 2003; Wilson, 2003; Liedtka, 1998a; and Garrat, 1995b). There is a lack of clear understanding of just what is meant by the term strategic thinking and this, in turn, has lead to considerable confusion in the strategic management arena. Thus there exists a clear need to precisely define strategic thinking so that this management paradigm can be objectively embraced and appropriately situated within the strategic management context (Liedtka, 1998).

Person (1999) showed that the basic concepts of strategic thinking are centered on the current situation of the organization and what could be done in this context. Stamp (1984) pointed out that strategic thinking involves the definition of the different ways to reach the individuals chosen aims, and identified the activities which those individuals need to reach the place they desire. Liedtka (1998) approaches strategic thinking as derived from managerial competences. She defines strategic thinking as a particular way of thinking that includes five specific elements: it incorporates a systems perspective, is intent-focused, involves thinking in time, is hypothesis-driven, and is intelligently opportunistic. Having these competences is what characterizes the individual strategic thinker. For Nadler (1994), strategic thinking is a creative process of thinking about, forming, acting on, and learning about strategy. A collaborative process of formulating strategy generates shared learning, a frame of reference which constitutes the context for small decisions made over time.

Rowe & Mason (1994) explained that strategic thinking generates a concept regarding the changes of circumstances and how they take place. Bates and Dilliard (1993) propose a method for identifying individuals who have the ability and predisposition to think strategically as well as certain capabilities. According to Suutari (1993), strategic thinking is the ability to generate ideas and make decisions based on an understanding of the precepts of strategy formulation and in accordance with the business's strategic objectives and direction. Ginsberg (1994) conceives strategic thinking as the process of resolving critical strategic issues (from generating creative ideas for solutions to evaluating these ideas). The Hamilton strategic management group

(1999) pointed out that strategic thinking clearly shows the stages necessary to start reforming the basic poles for the future of organizations. Ohmae (1982) also showed that the first step in strategic thinking is the search for a clear concept of the exceptional characteristic of each element from the situation faced by the organization. After that comes the use of the full abilities of the human brain to reshape the element in a very useful way.

Despite the ambiguity and distortion which sometimes surround the term, but there are important conceptual characteristics can be described as follows (Al- Obiedy, 1998).

1. Strategic thinking reflects the awareness by the State of the strategic leader in the Performance of their duties.
2. Strategic thinking is the result of the interaction between leadership characteristics expressed by skills, experiences and abilities of the leaders, and the characteristics of the external and internal environment of the organization. As the strategic leader is affected by the complex environment variables, he may also influence the formation and development of those variables. The strategic behavior of the organization will be shaped, then by this interaction.
3. Strategic thinking reflects the ability of creative thought for organizations leaders.

This kind of thinking is the main source for facing organization problems which became more complex in nature and far from simple logic based upon successive routine procedure. In this paper the concept of strategic thinking is concerned with the mental



process in which the interaction of the mind's abilities and the environmental variables to define the opportunities and the threats that face the organization, the strengths and weakness of this organization, and how to deal with them insure continuous survival and development of the organization. Barnett and Berland (1999), explained that the capacity of strategic thinking can assist the businesses to identify the ways to develop confident forecasts, and to reduce the uncertainty of business decisions. Strategic thinking can improve long range planning, (Harper, 1991), respond quickly to environmental changes and to improve the quality decision making, (Suutari, 1993; Linkow, 1999; Liedtka, 1998b; Masifern and Vila, 1998), allow companies to be more innovative and develop approaches for outstanding the business (Barnett and Berland, 1999; Bonn, 2001; Masifern and Vila, 1998; Markides, 1997; Ohmae, 1982), help companies identifying, hold and attract customers, (Hickman and Silva, 1984), acts as a unique competency which is difficult for competitors to imitate, ability to develop superior products, and organization flexible enough to adopt to change withstand turbulence, (Bonn 2001; Graetz, 2002; Liedtka 1998b).Graetz (2002) declares that strategic thinking is essential to creating and sustaining competitive advantage. In addition, it has many advantages such as:

- Preparing for the future;
- Seeing the bigger picture;
- Anticipating threats;
- Making sensible business decisions;
- Solving challenging problems;
- Understanding environmental trends;

- Envisioning opportunities;
- Identifying market needs for the intended venture;
- Positioning the venture for success;
- Avoiding excessive risk;
- Building alliances;
- Assembling the right resources; and
- Managing for results.

Previous studies mentioned that strategic thinking as the kind of thinking process that shapes and clarifies the present and future strategic outline of an organization such as its present position, values, strategy, mission, as well as vision. Put it differently, strategic thinkers work backwards from the future, and in the process would have to take into considerations future changes into their strategic planning. These scholars believed that strategic thinking can help to provide not only insight to what an organization should be doing in the present, but also to focus on its future. By being able to do so, these authors further indicated that strategic thinking presented the organization with a more realistic and effective framework for developing its strategic plans (Viljoen and Dann (2003), Keelin and Arnold (2002), de Kluyer (2000) Raimond (1996), Morrisey (1996), Garrat (1995a), Hanford (1995), Wall and Wall (1995), Tweed (1992), Harper (1991), Zabriskie and Huellmantel (1991), Schmincke, 1990; Robert (1988) and Tregoe and Zimmerman (1979)).

The study by Suutari (1993) pointed out that for strategic thinking to be effective in an organization, decision making skills are required at all levels of management in the organization. According to the author, the practice of strategic thinking requires not only decision making skills to generate ideas, but also to make decision based on an understanding of the precepts of strategy formulation and in accordance with the strategic objectives and direction of the business. In this way strategic thinking would be able to bridge the gap between planned and emergent strategies, thus would be advantages for organizations.

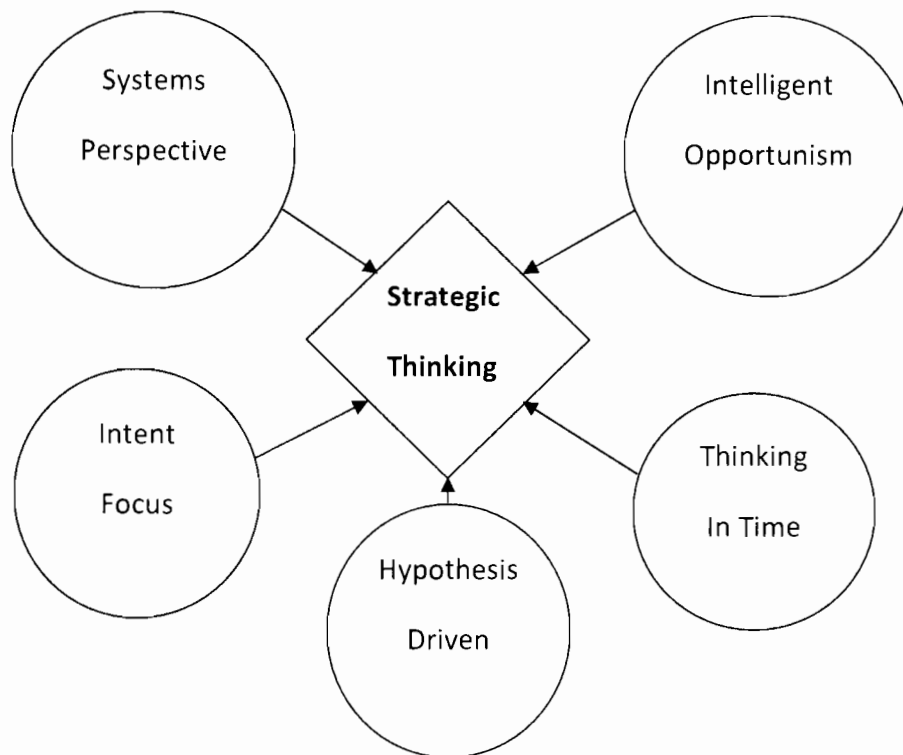
In another study, Stumpf (1989) specifically identified six important skills and knowledge for practicing strategic thinking successfully.

The six skills and knowledge include:

- 1) knowledge of the business and market;
- 2) ability to manage subunit rivalry;
- 3) ability to identify and overcome threat;
- 4) knowledge on strategy;
- 5) entrepreneurial ability; and
- 6) knowledge in accommodating adversity.

### 2.3 THE ELEMENTS OF STRATEGIC THINKING

Following the Mintzberg model, Liedtka (1998) developed a model which defines strategic thinking as a particular way of thinking, with very specific and clearly identifiable characteristics. Figure 2.1 illustrates the five elements of strategic thinking.



**Figure 2.1 strategic thinking elements.**

Source: Zakaria, Hashim, Ghani, and Ahmad, (2007)

- (i) systems perspective- a strategic thinker needs to include a comprehensive approach and able to see the linkages within organizations and also between organizations in the process of creating value
- (ii) intent-focused, implying future orientation,

- (iii) intelligent opportunism, ready and awareness to seize opportunity that may emerged,
- (iv) thinking in time- a strategic thinker understands the interdependence between the past, the present and the future,
- (v) Hypothesis-driven, a strategic thinker uses both, creative thinking to create strategic alternatives and critical thinking to evaluate them.

In addition, Bonn (2001) proposed that strategic thinking consists of three major elements:

- (i) holistic understanding of the organization and the environment,
- (ii) creativity and,
- (iii) Future vision of the organization.

Many previous studies have indicated a number of strategic thinking elements including, foresight, insight objectivity, aggressive, questioning of the status quo, practical considerations, proper timing, focus, competitive advantage and holistic perspective, (Hambrick; 2001, Hanford; 1995, Harper; 1991, Hickman and Silva; 1985, Hinterhuber and Popp; 1992, Garrat; 1995a, Jambekar; 1995, Markides; 1997, Millet; 1988, Morrison and Lee; 1979, Ohmae; 1982, Raimond; 1996, Schoemaker; 1995, Schmincke; 1990, South; 1981, Suutari; 1993, Wells; 1998, Zabriskie and Huellmantel; 1991). According to Bates and Dillard (1993) successful strategic thinking is related to certain measurable capabilities which include intuitive ability, mental elasticity, abstract thinking, and tolerance of risk and ambiguity.

Review of previous studies have showed that, so far there is no single standard strategic thinking variable, however most research seem to point out to the presence of a number of common elements of strategic thinking. For example Siti Maimon (1993) developed and tested strategic thinking instrument based on the strategic thinking elements as determined by Ohmae (1982). Strategic thinking in her instrument consists of 20 items include the following elements:

analysis of situation,

competing based on key success factor,

competing based on relative superiority,

continuous improvement, and

practical aspect, creativity (which include envisioning and focusing of resources).

Crouch and Basch (1997) in their study on sense making or what strategists think of when formulating strategy revealed that, certain elements exist when strategists contemplate on strategy. Their result suggests that a strategist's thought pattern emphasized analysis of events and cooperation among individuals or group of individuals. Strategic thinking may also focus on action to design or shape, practical considerations, and also emotion. According to Thakur and Calingo (1992) where examined the result of strategic thinking of 13 companies based on past strategic events and those that were planned in the near future. From their study the researchers gathered that strategic thinking involves direction setting processes, managing competition and cooperation with other firms and, human resource function that support strategy.

According to Graetz (2002) which made study on a large Australian telecommunication companies, resorted to scenario building exercise as a way to capture strategic thinking. Based on scenario building proposed by Schoemaker (1995) the author pointed out that among the strategic thinking elements are identifying strategic issues, major stakeholders, trends, uncertainties, and constructing scenarios. In addition the researchers noted that the managers of these organizations were not restraint from asking questions and there is a tendency to “think in an integrative format that assisted in the orchestration of internal resources” (Thakur and Calingo, 1992, p. 54), which suggest focusing on unconventional approach and overall perspective to strategy.

In their survey of 15 large companies in the United States, Barnett and Berland (1999) observed that strategic thinking is required for companies to achieve superior's approaches and innovate continuously. The researchers indicate that strategic thinking include the emphasis on:

1. forecasting of the future
2. understanding the real drivers of value for customers
3. understanding implication of complex relationships
4. competitive advantage.

From his case study of a small bank in the United States, Stumpf (1989) noted that unfamiliar or ill-structured work situation faced by managers may enhance a manager's capability for strategic thinking. The work experience includes:

1. starting a business or project from scratch
2. turn around assignment

3. special assignment project management
4. line/staff interchange.

Linkow (1999) in his study of 20 strategic thinkers who are senior managers of leading companies and non-profit organizations determined seven elements of strategic thinking:

1. reframing – challenging inherent basis in which decision and action are based on
2. scanning – looking for information in which current assumption are based on and that may affect future direction.
3. abstracting – capability to grasp underlying theme from multitude of information
4. multivariate thinking – ability to hold different view points
5. envisioning – working backward from the future
6. inducting - ability to conclude based on observation
7. valuating – understand values of stakeholders

Thus past research suggests organizations that practice strategic thinking seem to emphasize some common elements as pointed above. Recently the work of Wilson (2003) tended to encompass the various elements emphasized in strategic thinking as indicated by most authors. The author suggests that strategic thinking comprises seven elements: holistic, focus, visionary, practical, inquisitive, flexible, and decisive.

Though there are numerous strategic thinking elements that can be found in the literature, the following eight elements of strategic thinking seem to be the more common ones. The following author's matrix depicts the elements of strategic thinking that can be identified from the conceptual and empirical literature.



Table 2.1: Authors' Matrix on the Elements of Strategic Thinking

Strategic Thinking Element	
Element	Authors
1.Foresight	Barnett and Berland. 1999; Bonn. 2001; Collin and Poras. 1995; Crouch and Basch. 1997; Elkin. 1993; Garrat. 1995a; Graetz. 2002; Hanford. 1995; Hamel and Prahalad. 1994; Harper. 1991; Hickman and Silva. 1985; Hinterhuber and Popp. 1992; Liedtka. 1998; Linkow. 1999; Mintzberg. 1995; Nanus. 1992, 1996; Ohmae. 1982; Raimond. 1996; Schoemaker. 1995; Schmincke. 1990; Stumpf. 1989; Wells. 1998; Wilson 2003; Zabriskie and Huellmantel. 1991
2.Insight	Barnett and Berland. 1999; Bonn. 2001; Garrat. 1995a; Hamel and Prahalad. 1994; Harper. 1991; Hickman and Silva. 1985; Millet. 1988; Liedtka. 1998b; Linkow. 1999; Mintzberg. 1995; Ohmae. 1982; Siti Maimon. 1993; Stumpf. 1989; Suutari. 1993; Wilson 2003; Wells. 1998
3.Pragmatic	Hambrick, 2001; Millet. 1988; Ohmae. 1982; Siti Maimon. 1993; South. 1981; Suutari. 1993; Wells. 1998; Wilson 2003; Zabriskie and Huellmantel. 1991
4.Creativity	Bonn. 2001; Crouch and Basch. 1997; Graetz. 2002; Hanford. 1995; Heracleous. 1998; Hickman and Silva. 1985; Liedtka. 1998b; Linkow. 1999; Ohmae. 1982; Siti Maimon. 1993; Stumpf. 1989; Thakur and Calingo. 1992; Wilson 2003
5.Objectivity	Crouch and Basch. 1997; Hinterhuber and Popp. 1992; Ohmae. 1982; South. 1981; Pellegrino and Carbo. 2001; South. 1981; Wilson 2003
6.Competitive Advantage	Barnett and Berland. 1999; Hinterhuber and Popp. 1992; Markides. 1997; Morrison and Lee. 1979; Ohmae. Siti Maimon. 1993; 1982; South. 1981; Thakur and Calingo. 1992; Wells. 1998; Wilson 2003
7.Focus	Crouch and Basch. 1997; Hamel and Prahalad. 1984; Hickman and Silva. 1985; Liedtka. 1998b; Ohmae. 1982; Siti Maimon. 1993; Stumpf. 1989; Thakur and Calingo. 1992; Wilson 2003
8.Holistic	Barnett and Berland. 1999; Bonn. 2001. Garrat. 1995a; Hanford. 1995; Jambekar. 1995; Liedtka 1998b; Linkow. 1999. Moore 1993; Ohmae. 1982; Senge. 1990; Stumpf. 1989; Thakur and Calingo. 1992. Weir. 2002; Wilson. 2003

Source: Zakaria, Hashim, Ghani, and Ahmad, (2007)

Most scholars of the strategic management agreed with the idea that companies that apply strategic thinking are able to challenge conventional business practices, develop innovative strategies and reap benefit thereof are due to a number of strategic thinking elements. Specifically the elements comprise foresight, holistic, insight, creativity, objectivity, pragmatic, competitive advantage, and, focus.

### **1. Foresight**

It is the first element of strategic thinking. Foresight is important in the sense that it provides the direction and the intended destination for a firm, (Wilson, 2003). It is an overarching concept that shapes other strategy elements including mission, objective, strategy, product-market, competencies and other internal components including organizational structure and culture. Additionally foresight tends to integrate these components into a future picture of the firm, (Collin and Poras, 1995; Mintzberg, 1994a; Hamel and Prahalad, 1994; Wilson, 2003). The process of acquiring foresight would also act to galvanize employees towards the intended future by providing a sense of discovery and destiny, (Hamel and Prahalad, 1994; Nanus, 1996)

There are several ways to achieve foresight such as through extrapolation, brainstorming, econometric modeling, and scenario construction. However at present strategic management scholars place greater emphasis in scenario construction as a realistic way to obtain foresight. Through the construction of scenarios, strategic thinking allows an organization to consider other factors that might have been left out or

unexpected. This would reduce tunnel vision and provides an organization with more innovative options, (Collin and Poras, 1995; Nanus, 1992; Schoemaker, 1995).

By emphasizing the use of foresight an organization would be able to discover new competitive space and align its mission, objectives, strategy, and other internal components along the intended direction, (Chakravarthy, 1996; Hamel and Prahalad, 1994; Nanus, 1996). The quality of foresight will further determine the innovativeness and effectiveness of a firm's strategy. As Nanus (1992) cautioned that a strategy is only good as the vision that guides it.

## **2. Holistic**

Holistic perspective is the second element of strategic thinking. A number of strategic management scholars emphasized the importance of holistic perspective, (such as: Bonn, 2001; Garrat, 1995a; Hanford, 1995; Liedtka, 1998b; Moore, 1993; Ohmae, 1982; Senge, 1990; Wilson, 2003). Having a holistic perspective would permit an organization to view itself within the greater framework of industries and at the same time identify its role within the business eco-system.

Bonn (2001) pointed that organization is a part of a complex system which consists of market, industries, and nations. In addition to the external system, Liedtka (1998b) added that the internal system is another perspective of concern to an organization. Within the organization there exist the various levels; corporate, business, functional, and also the individual level.

A holistic perspective would mean that an organization is able to discern the various interrelationships that exist within and among the different systems. By emphasizing a holistic perspective an organization would be more effective in crafting strategy and handling problem as organization will be focusing right on the particular issues at hand rather than treating the symptoms only, (Jambekar, 1995; Senge, 1990). In addition by emphasizing the holistic perspective an organization would not be overly focused on daily routines. As such an organization that emphasizes holistic perspective would be in a better position to assess the implication of the firm's strategy over the whole eco-system. The ability to see the impact of strategy would allow firm to be more prudent in selecting the best strategic option to implement.

### **3. Insight**

Insight is the third element of strategic thinking. According to Barnett and Berland (1999), Wells (1998), Harper(1991), Hickman and Silva (1985), and Ohmae (1982) insight is another strategic element considered vital in strategic thinking. These authors maintain that insight is essential as it allows organization to identify forces at work within the environment. Having identified these forces an organization may assess their impact on the strategic direction of the industry and the organization.

To many of the strategic management scholars, insight should be acquired in a creative manner. Linkow (1999), Hamel and Prahalad (1994), and Ohmae(1982) and other scholars suggest for organization to creatively obtain insight is to reframe or

challenge the existing underlying assumptions that a strategy is based on. In addition an organization should be continually on the move to find and overcome threat, and be sensitive to changes.

By having insight, an organization would be more creative such as having multiple perspectives on strategic issues and this would allow organization to be more innovative by competing and undertaking strategies that are different from competitors.

#### **4. Creativity**

Creativity is the fourth elements of strategic thinking. Strategic management scholars such as Graetz (2003), Bonn (2001), Heracleous (1998), Hickman and Silva (1985), and Ohmae (1982), concur that creativity is also another vital element in strategic thinking. These authors suggest that creativity is indeed required for organization to formulate strategies which are more innovative and effective, and in the process enhances an organization's competitive position.

As suggested by these scholars the infusion of creativity enhances strategy formation in various ways. First by emphasizing creativity, organization would be able to reframe or challenge underlying assumptions of their strategies and actions. Secondly the use of creativity would assist an organization to generate new ideas and multiple strategic options. Firm that emphasizes creativity in their strategy formulation would be in a better position to generate more innovative strategy that provides an edge over its competitors.

## **5. Objectivity**

Objectivity is the fifth element of strategic thinking. Authors including Pellegrino and Carbo (2001), Hinterhuber and Popp (1992), Ohmae (1982), and South (1981) emphasized the importance of objectivity in strategic thinking. According to these authors in order to be innovative the strategic thinking process should be free of existing paradigm or strategy framework. This is so as existing strategy framework may act to retard organization from having a fresh look at strategic issues. Additionally the strategic thinking process should also be free from prejudice or emotional interference as this too may hinder the creative process from taking place.

By emphasizing objectivity organization will be able to break away from existing paradigm and with a fresh perspective to take up new challenges and craft more innovative strategies.

## **6. Pragmatic**

The sixth element of strategic thinking is pragmatism. Though the five elements mentioned above are important elements of strategic thinking another element which is considered important by authors including Wilson (2003), Hambrick (2001), Liedtka (1998b), Mintzberg (1995), and Ohmae (1982) is the emphasis on reality or feasibility. These authors contend that the formulation of innovative strategy should be grounded on practice. This is so as organizations strive to be creative when crafting their strategy may overlook some aspects of practicability of their strategies. The emphasis on practicability

may act to prevent a strategy from being carried away in the pursuit of a perfect strategy.

According to these authors there are a number of ways in which organization may forgo pragmatism. For instance an organization may be unwilling to capitalize on new opportunity as a result of staying on with existing strategy. Likewise Finkelstein (2001) highlighted that organization that decides for a niche strategy may over estimate the size of the niche and as a result failed to recover its investment. Furthermore Ohmae (1982) pointed out that a strategy to develop a 'perfect' product will backfire as it may suppress the demand for replacement, such as in the case of the Japanese television industry in 1980s.

Authors such as Wilson (2003), Hambrick (2001), Ohmae (1982), and South (1981) caution that in formulating strategy organization should also take into account factors such as the limitation and appropriateness of capabilities with the strategy, timing of market entry, and sequencing of moves. In sum it can be said that by being practical an organization would be able to ensure that the strategy is not only innovative but it is also achievable.

## **7. Competitive Advantage**

Apart from the elements discussed above, the emphasis on achieving competitive advantage is another element of strategic thinking. Numerous strategic management authors (such as : Hinterhuber and Popp, 1992; Markides, 1997; Morrison and Lee, 1979 Ohmae, 1982; South, 1981; Wells, 1998) suggest that companies that employ strategic thinking strive to maintain competitive edge against their competitors.

While it is common practice for organizations in general to achieve competitive advantage, the above authors argue that in strategic thinking competitive advantage is normally achieved by way of indirect approaches. To these scholars competitive advantage can be achieved through creative means such as by resegmenting market, competing indirectly by emphasizing different product attributes, and isolating target market. Even so the same scholars maintain that organization also has to continuously monitor the strategies and action of competitors.

Based on the above authors, organization that emphasizes pursuing competitive advantage in creative ways will be able to compete with ease.

## **8. Focus**

The final element of strategic thinking is the ability to maintain focus. Liedtka (1998b), Hamel and Prahalad (1994), Hickman and Silva (1985) and, Ohmae (1982),



suggest that focus is another important element of strategic thinking. This is because an organization needs to concentrate all of its strength towards achieving its vision.

By focusing on the intended direction, an organization would be in a better position to marshal and leverage its resources within a single purpose towards achieving the intended vision. By being focused, organization will be concentrating on the product market identified within its vision, and coordinate effort to align its internal components, including resources and competencies, organizational culture and structure in the chosen direction. Further, this also includes the development of new competencies and restructuring of its internal components in order to move the organization along the intended direction.

By having focus, organization will be mobilized along its chosen direction in a more coherent and effectiveness manner towards achieving its vision.

## **2.4 CONCLUSION**

The following chapter describes in detail the procedures and methodology that were used for data collection and analysis in this study.

## **CHAPTER 3**

### **METHODOLOGY**

#### **2.0 INTRODUCTION**

The chapter describes the method used in the study. Section one explains the research framework for the study. Section two and three provide the population and sample and data collection employed in the study. The survey instrument used to gather data is explained in section four. Section five shows the analysis that was carried out to analyze the data collected for the study. Finally section six shows the reliability analysis.

#### **3.1 RESEARCH FRAMEWORK**

This study carried out to identify the level of strategic thinking in Yemeni firms. The strategic thinking variable is based on eight dimensions identified based on the literature. The eight strategic thinking dimensions are:

1. Foresight
2. Holistic
3. Insight

4. Creativity
5. Pragmatic
6. Objectivity
7. Competitive Advantage
8. Focus

The level of strategic thinking of Yemeni firms will be indicated based on the eight dimensions. The higher the level of score would suggest that the firms are focused on their strategic thinking while low score would suggest lack of focus on strategic thinking.

### **3.2 POPULATION AND SAMPLE**

In this study small and medium-sized enterprises were defined as firms which employed not more than 100 employees. The samples were selected based on the listing from Small and Medium enterprise in Ministry of Industry and Trade (MIT) in Yemen. The total number of firms registered in 2009 was 1526. A total of **50** firms were selected for the study.

The sample frame for this study consisted of and limited to the employees in Yemeni SMEs. The participants of this study were the managerial level employees of all departments. Their primary responsibilities consisted of managing and directing all the activities of the business.

The information provided by the employees illustrated in Table 3.1. Accordingly, the total population for these companies was approximately 1500 employees including all levels. Out of this number, a total number of managerial levels are 50 managers.

Total number of sampling SMEs in Yemen	Workers (Lower employees)	Supervisors	Top Management	Total number of employees
50	1300	150	50	<b>1500</b>

**Table 3.1: Total number of sampling employees in SMEs, Yemen.**

### 3.3 DATA COLLECTION

This study is a *survey* study. For the purpose of this study, a survey is conducted to find out the level of strategic thinking practices in Yemeni small and medium sized enterprises SMEs using questionnaire.

Data were collected through questionnaires from employees in Yemeni small and medium sized enterprises SMEs. The survey study is conducted through questionnaire

because, questionnaire is an efficient collection data mechanism (Sekaran, 2000) since the researcher knows what is required and how to measure the variables.

A postal survey was carried out to obtain data from the sample firms. Structured questionnaires were mailed to the owners and managers of the 30 firms identified earlier.

All 50 firms participated in the study.

### **3.4 SURVEY INSTRUMENT**

The data in the study is gathered through a structured questionnaire, the structured questionnaire that was used in this research comprised of 3 sections and 57 items. The first section of the questionnaire consisted of 14 items used to enquire on general information relating to the background of respondents (7 items) and their firms' characteristics (7 items).

The remaining 43 items in section two of the questionnaire were designed to capture the eight strategic thinking elements emphasized by these firms, foresight (7 items), holistic (4 items), insight (5 items), creativity (7 items), pragmatic (5 items), objectivity (4 items), competitive advantage (6 items), and focus (5 items). The response to the items in this section was obtained by requesting the respondents to rate each item on a two point scale which is "no emphasis" and "high emphasis".

The questionnaire was adopted from the study by Zakaria, Hashim, Ahmad, and Ghani (2007).

### **3.5 DATA ANALYSIS**

After collecting information from the questionnaires, a few procedures has been done such as checking the data for accuracy, key in the data into the computer, and transforming and coding the data, developing and documenting a database structure.

The questions were being coded to enable analysis using Statistical Packages for the Social Science (SPSS).

This study used descriptive analysis to analyze the data. The descriptive analysis used is frequency and mean score.

According to Malhorta (1999), the objective of frequency distribution is to obtain an account of number of responses associated with different values of one variable and to express these counts into percentage terms. By doing so, the researcher can determine the variables that included in the questionnaire such as the frequency of a respondent profile.

### 3.6 RELIABILITY ANALYSIS

Reliability Analysis is an indication for the stability and consistency which the instrument measures the concept and helps to assess the goodness of measures. In Cronbach's Alpha reliability analysis, the closer Cronbach's Alpha to 1.0, the higher the internal consistency reliability. (Cronbach's Alpha; Cronbach, 1946). Cronbach measures;

1. Reliability less than 0.6 considered poor.
2. Reliability in the range 0.7 is considered to be acceptable.
3. Reliability more than 0.8 are considered to be good.

Reliability test was used to test the appropriateness of questionnaire to measure the variables. The Cronbach's Alpha testing was used as it is the most well accepted reliability test tool applied by social researchers. Sekaran (2005) mentioned that if reliability coefficient is close to 1.0, the appropriateness of questionnaire to measure the variables is better. However, generally, the reliabilities which are less than .60 are considered to be poor, and those in the .70 range, are acceptable, and over .80 classified as good (Sekaran, 2005).

Reliability test was carried out on the eight thinking elements. The test showed that the measures are reliable and valid with Alpha Cronbach ranging from 0.546 to 0.863.

**Table 3.2** *the result of the reliability analysis is shown below:*

<b>Strategic Thinking dimension</b>	<b>Cronbach's Alpha</b>
Foresight	0.848
Holistic	0.546
Insight	0.828
Creativity	0.857
Pragmatic	0.660
Objectivity	0.788
Competitive Advantage	0.829
Focus	0.863

### **3.7 CONCLUSION**

This chapter discussed the research method proposed for the study. It includes the discussion of research design, questionnaire design, measurement, data collections and administration, and data analysis techniques. The next chapter will discuss the result and findings.



## CHAPTER 4

### FINDINGS

#### 3.0 INTRODUCTION

This chapter outlines the results of data analysis obtained from data that collected from respondents. The main purpose of this study is to investigate the strategic thinking practices among Yemeni SMEs. This study aims at achieving the research objectives as well as answers the research questions highlighted in chapter one.

This chapter is divided into four parts which includes; overview of data collected, profile of respondents, descriptive analysis, and conclusion.

#### 4.1 OVERVIEW OF DATA COLLECTED

##### 4.1.1 Response Rate

A total of 50 sets of questionnaires were distributed to respondents and fortunately 100% were returned to researcher.

**Table 4.1**

##### **Response Rate**

	<b>Total</b>	<b>%</b>
Questionnaires distributed	50	100
Collected questionnaires	50	100

## 4.2 RESPONDENTS' PROFILE

The survey demonstrated the details concerning demographic characteristics or Background of Respondents as shown in Table 4.2.1.

**Table 4.2.1**

### Background of Respondents

Demographic	Categories	Frequency	Percentage ( % )
<b>Means use to be the owner/manager of this firm</b>	Founder	20	40
	Cofounder	7	14
	Inherited	9	18
		6	12
	Purchased not from family	8	16
	Hired or promoted by the firm		
<b>Reason for starting business</b>	-Unemployed due to being laid off	9	18
	-Wanted to be own "boss"	10	20
	-Wanted to make money	18	36
	- Request by family	2	4
	- Did not like previous work situation	11	22
<b>Education level</b>	School certificate	23	46
	Diploma	14	28
	Bachelor's degree	10	20
	Master's degree	3	6

	PhD degree	0	0
<b>Sex</b>	Male	49	98
	Female	1	2
<b>Years of experience before starting this business</b>	1-5 years	8	16
	6-10 years	27	54
	11-15 years	5	10
	16-20 years	10	20
	More than 20 years	0	0
<b>AGE</b>	Less than 20	1	2
	21-25	5	10
	26-30	16	32
	31-35	17	34
	36-40	9	18
	41-45	2	4
	46-50	0	0
	More than 51	0	0
<b>Position in the firm</b>	Owner and director	23	46
	Owner and manager	26	52
	Manager but not owner	1	2
	Others	0	0

From the table 4.2.1 it can be seen that 27 respondents (54 percent) initiated their present firms, followed by 9 respondents (18 percent) who inherited their present firms from their family, 8 respondents (16 percent) are either hired or promoted by existing

firms and 6 respondents (12 percent) purchased their present firms from non family member.

Quite a number or 10 respondents (20 percent) wanted to be owner “boss”, 18 respondents (36 percent) intended to make money, 2 respondents (4 percent) started the present business due to family request, 11 respondents (22 percent) did not like the previous work, and the remaining respondent 9, (18 percent) started the present firm because of being laid-off by previous employer.

In terms of the level of education, 10 respondents (20 percent) possessed bachelor’s degree, followed by 23 respondents (46 percent) with school certificates, 14 respondents (28 percent) with diplomas, 3 respondents (6 percent) with master degrees, and 0 respondents with PHD degree.

As regards the number of years of experience before starting the present business, 8 respondents (16 percent) with less than 5 years of experience, 27 respondents (54 percent) with 6-10 years of experience, 5 respondents (10 percent) with 11-15 years experience, and 10 respondents (20 percent) with 16-20 years experience. And no any respondent more than 20 years experience.

In terms of age, only 1 respondent (2 percent) who is less 20 years of age, 5 respondents (10 percent) who are between 21 to 25 years of age, 16 respondents (32 percent) are within the 26 to 30 years category, 17 respondents (34 percent) are between

31 to 35 years of age, while 9 respondents (18 percent) are between 36-40 and 2 respondents (4 percent) who between 41-45 years of age.

Table 4.2 also showed that 23 respondents (46 percent) are owners and directors of their present firms, followed by 1 respondent (2 percent) who are managers but not owners of the firms, 26 respondents (52 percent) who are owners and managers in the same time.

Table 4.2.2 showed the background of the firms that participated in the survey. In terms of location 16 firms (32 percent) are located in Sana'a, followed by 34 firms (64 percent) located in Hadhramote.

As for the area of operations, 29 firms (58 percent) operate locally, 21 firms (42 percent) operate regionally.

**Table 4.2.2**

**Characteristics of the Participating Firms**

<b>Demographic</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage ( % )</b>
<b>Location</b>	Sana'a	16	32
	Hadhramote	34	64
<b>Area of operation</b>	- Local only (only in one city)	29	58
	-Regional(cover more than 1 city)	21	42
<b>Age of firm</b>	Less than 3 years	4	8
	3 to 5 years	13	26
	6 to 10 years	24	48
	11 to 15 years		
	16 to 20 years	6	12
	More than 20 years	1	2
<b>Legal entity of firm</b>	Sole proprietorship	13	26
	Partnership	16	32
	Private Limited Company	17	34
	Public limited company	4	8

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	Agricultural production		
	agricultural products	6	11.2
	Forestry products	7	14
<b>Main manufacturing activity business</b>	Supporting products/services	4	8
	Rubber products	6	12
	Plastic products	6	12
	Electrical and electronic component	3	6
		7	14
	Iron and steel products	7	14
	Household products and furniture	4	8
<b>Number of products produced</b>	One	10	20
	Two	18	36
	Three	15	30
	Four	6	12
	Five	1	2
	More than five products	0	0
<b>Number of employees</b>	10-25	11	22
	26-50	18	36
	51-75	16	32
	76-100	5	10

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The firms are involved in various manufacturing activities, ranging from agricultural production to the Household products and furniture. There are quite a number of firms which are involved in like Agricultural production (6 firms or 12 percent), the forestay products firms they produce more than 2 types of products (4 firms or 8 percent). Supporting products and service firms where 6 firms (12 percent), 6 firms (12 percent) produced one product for Rubber firms. And 3 firms (6 percent) produced three products for plastic firms.

In terms of the number of workers employed, most of the firms (18 firms or 36 percent) employ 26-50 employees, followed by 16 firms (32 percent ) employ 51-75, after that 11 firms (22 percent) employ 10-25 employees and the last one for the 76-100 which are 5 firms with (10 percent).

### **4.3 DESCRIPTIVE ANALYSIS**

Descriptive analysis which includes the mean and standard deviation for the variables of strategic thinking are attained and recorded in Table 4.3.



**Table 4.3**

**Mean Score for Strategic Thinking Emphasis**

<b>Strategic Thinking Emphasis</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Foresight</b>		
Design product that provide future competitive advantage	1.32	0.47121
Make employees understand the future direction of your firm	1.22	0.41845
Analyze trends to search for future markets opportunities	1.36	0.48487
Keep track of significant trends that might affect your firm's competitiveness	1.36	0.48487
Analyze trends to search for future threat from competitors	1.34	0.47851
Prepare different future scenarios of your firm	1.44	0.50142
Conduct "what if" analysis on issues that might affect your firm's competitiveness	1.38	0.49031
<b>Holistic</b>	<b>Mean</b>	<b>Std. Deviation</b>
Work closely with suppliers to satisfy customer's needs	1.36	0.48487
Obtain inputs from customers when designing new products	1.3	0.46291
Work closely with suppliers when introducing new	1.32	0.47121

product in the market

Exchange industry information with competitors 1.34 0.47851

**Insight Mean Std. Deviation**

Search and evaluate new market opportunities 1.26 0.44308

Keep track on demand trends and changes in the industry 1.24 0.43141

Monitor changes in customers' need 1.36 0.48487

Keep track on technological changes in the industry 1.4 0.49487

Monitor changes of competitors actions and strategies 1.42 0.49856

**Creativity Mean Std. Deviation**

Provide enough time to identify problem 1.38 0.49031

Capacity to generate new ideas 1.4 0.49487

Generate and evaluate a number of strategies before taking action 1.4 0.49487

Flexibility to adapt to unanticipated changes 1.38 0.49031

Give a different response to competitors each time they target your customer 1.4 0.49487

Use different approach from competitors to market product 1.34 0.47851

Ability to anticipate surprises, threat and crises 1.34 0.47851

**Pragmatic Mean Std. Deviation**

Continue manufacturing products that contributed to firm's cash flow in the past 1.32 0.47121

Market new product only when the expected return is certain	1.46	0.50345
Implement project only when the expected return is sure	1.32	0.47121
Move into a different business if the return is better than existing one	1.3	0.46291
Being "first" in the market at the expense of firm's cash flow position	1.34	0.47851
<b>Objectivity</b>	<b>Mean</b>	<b>Std. Deviation</b>
Select new project for implementation that is within the firm's financial capability	1.3	0.46291
Implement new project only if it is within the firm's manufacturing capability	1.3	0.46291
Select project for implementation based on "gut feeling"	1.34	0.47851
Implement new project with most popular support from colleagues at the expense of profitability	1.32	0.47121
<b>Competitive Advantage</b>	<b>Mean</b>	<b>Std. Deviation</b>
Exploit firm's relative strength against those of competitors to achieve competitive advantage	1.34	0.47851
Focus on market segment where the firm can serve better than competitors	1.32	0.47121
Produce more innovative product than competitors	1.3	0.46291
Periodic meeting with key personnel to discuss market strength relative to competitors	1.32	0.47121

Compare firm's strength and weaknesses against those of competitors	1.3	0.46291
Anticipate how our competitors respond to the firm's action in the market	1.34	0.47851
<b>Focus</b>	<b>Mean</b>	<b>Std. Deviation</b>
Develop strong bonds between the employees and the firm	1.32	0.47121
Create enthusiasm for employees to focus on their work by letting them know the future direction or mission of the firm	1.26	0.44308
Involvement of senior managers and employees in setting direction for the firm	1.24	0.43141
Adapt the firm's strategic direction based on changes in customers' needs	1.26	0.44308
Periodically revised the strategic direction of the firm	1.34	0.47851

Table 4.3 showed the seven items for the emphasis on obtaining foresight. The three items with the highest mean score are “Make, Prepare different future scenarios of your firm” (1.44), “Conduct "what if" analysis on issues that might affect your firm's competitiveness” (1.38), “Keep track of significant trends that might affect your firm's competitiveness” and “.Analyze trends to search for future markets opportunities” the mean for both of them (1.36).

As for the emphasis on holistic perspective the three highest items recorded are, “Work closely with suppliers to satisfy customer's needs” (1.36) “Exchange industry information with competitors” (1.34) and “Work closely with suppliers when introducing new product in the market” (1.32).

The three items with the highest mean score for the emphasis on obtaining insight are “Monitor changes of competitors actions and strategies” (1.42), “Keep track on technological changes in the industry” (1.4) and “Monitor changes in customers' need” (1.36).

The highest mean score for the items on the emphasis on creativity are “Capacity to generate new ideas”, “Generate and evaluate a number of strategies before taking action”, and “Give a different response to competitors each time they target your customer” the mean for all of them is (1.4).

As for the emphasis on pragmatism, the three highest mean score recorded are “Market new product only when the expected return is certain” (1.46), “Being "first" in the market at the expense of firm's cash flow position” (1.34), and “Continue manufacturing products that contributed to firm's cash flow in the past”, “Implement project only when the expected return is sure” the mean for both of them (1.32).

The three highest mean score for the emphasis on objectivity are recorded by items, “Select project for implementation based on “gut feeling” (1.34), “Implementing new project with most popular support from colleagues at the expense of profitability” (1.32).

As for the emphasis on competitive advantage, the items with the highest mean score are “Exploit firm’s relative strength against those of competitors to achieve competitive advantage”, “Anticipate how our competitors respond to the firm’s action in the market” the mean for both of them is (1.34), followed by the mean of both “Periodic meeting with key personnel to discuss market strength relative to competitors” and “Focus on market segments where the firm can serve better than competitors” which is (1.32).

From Table 4.3, the two items with the highest score the emphasis on having focus are “Periodically revised the strategic direction of the firm” (1.34) and “Develop strong bonds between the employees and the firm” (1.32).

#### **4.4 CONCLUSION**

This chapter has presented the findings collected from the respondents. Based on the data gathered. The next chapter will discuss the recommendations and conclusion for the study.

## **CHAPTER 5**

### **DISCUSSION, RECOMMENDATION, AND CONCLUSION**

#### **4.0 INTRODUCTION**

In this chapter, the findings of the study will be further discussed and recommendations for future research are also suggested. Section one presents the discussion of the results. Section two discusses the limitation of the study. The implication of the study is given in section three, while section four suggests future research that can be undertaken. Finally section five provides the conclusion of the study.

#### **5.1 DISCUSSION**

The purpose of this study is to investigate the strategic thinking practices among Yamani SMEs using a strategic thinking variable which incorporate strategic thinking elements based on empirical and conceptual literature. As shown earlier, strategic thinking is captured based on the emphasis of the participating SMEs on the eight elements which is considered vital for firms to exercise strategic thinking.

The findings from the previous chapter showed that the participating SMEs do practice in strategic thinking as the average score on all eight strategic thinking elements is greater than 1.

Basically high emphasis is noted for the elements; creativity, pragmatic, foresight insight, holistic, and competitive advantage. The focus given by the participating Yemeni SMEs on the first four elements are similar to findings from past studies which noted that, firms that practice strategic thinking tended to emphasize those dimensions, (Bonn, 2001; Crouch and Basch, 1997; Graetz, 2002; Hanford, 1995; Hambrick, 2001; Millet, 1988; Ohmae, 1982; Siti Maimon, 1993; Barnett and Berland, 1999; Bonn, 2001; Collin and Poras, 1995; Crouch and Basch, 1997; Elkin, 1993; Garrat, 1995a; Graetz, 2002; Garrat, 1995a; Hamel and Prahalad, 1994; Harper, 1991).

As well as, the findings from this study also showed that the participating SMEs are high in creativity, in line with the suggestion from authors that companies exercise strategic thinking also emphasize the creativity aspects, (Bonn, 2001; Crouch and Basch, 1997; Graetz, 2002; Hanford, 1995; Heracleous, 1998; Hickman and Silva, 1985; Liedtka, 1998b; Linkow, 1999; Ohmae, 1982; Siti Maimon, 1993; Stumpf, 1989; Thakur and Calingo, 1992; Wilson 2003).

Though the Yemeni SMEs seemed to be giving less emphasis on the other two strategic thinking elements, namely objectivity and focus, compared to the five elements mentioned earlier, the score of these two elements are no doubt substantial as it is more than 1. This result suggests that the two elements are considered important by the SMEs in line with findings from other studies, (Barnett and Berland, 1999; Siti Maimon, 1993; Thakur and Calingo, 1992; Crouch and Basch, 1997).



## **5.2 LIMITATION OF THE STUDY**

This research is limited several ways. The various limitations are stated as follows:

### **1. Time limitations**

Time is one of the limitations while completing the project paper. The researcher does not have sufficient time in conducting the research. As a result, this can affect the outcomes of this research indirectly

### **2. Financial Constraints**

Financial problem is one of the limitations while completing the project paper. With a high budget research, researcher is left with small amount of budget to spend on. All the expenses must be considered to ensure smooth completions of this project paper.

### **3. Respondents Co-operation**

The researcher would expect that not all of respondents would have given good co-operation in answering the questionnaires and some will not take it seriously as well.

## **5.3 IMPLICATION OF THE STUDY**

As mentioned earlier this research is an exploratory study to examine the strategic thinking practices emphasized by the Yemeni SMEs. In view that a study on strategic

thinking is seldom undertaken particularly in the Yemeni context, there are number of implications of this study worth noted.

First, this study would able to contribute to the current understanding of strategic thinking as practiced by the companies in Yemen. These finding would further add to the current literature on strategic management and SMEs in Yemen.

Second, this study provides some insight into the strategic thinking practices as emphasized by the Yemeni SMEs. This study seems to reveal the extent of strategic thinking emphasized by the Yemeni SMEs.

Third, at the general level this study seems to indicate the areas of strategic thinking that would need further from practitioners, academicians, and policy makers in Yemen.

Finally, this study may be useful to the SMEs supporting Yemeni Ministries which are responsible for the development of SMEs in Yemen.

#### **5.4 RECOMMENDATION FOR FUTURE RESEARCH**

This study has provided only a small portion of ideas regarding the strategic thinking practices among Yamani SMEs. Hence, it would be beneficial for future research to consider the following suggestions:

- Expanding the study into other industries and in other countries to enhance the consistency of results.
- Include other elements for strategic thinking so that this will increase the accuracy of understanding of the strategic thinking that could impact the SMEs

## **5.5 CONCLUSION**

The study showed the strategic thinking practices among Yamani SMEs using a strategic thinking variables which are creativity, pragmatic, foresight, insight, holistic, competitive advantage, focus, and objectivity. In the study, the Yemeni companies seem to focus on the first four elements.

However Yemeni companies also should focus on the remaining elements as well. Therefore, SMEs in Yemen should be more focus on other elements of the strategic thinking which are holistic, competitive advantage, objectivity and focus.

This study also showed that, strategic thinking is generally practiced by the participating firms though there may exist variation in emphasis.

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# APPENDIX

## Appendix

### *QUESTIONNAIRE*

**Dear Sir/Madam**

It is to highlight that I am a research student at *Universiti Utara Malaysia*. A research study is being conducted by me on the “*strategic thinking in Yemeni small and medium sized enterprises SMEs.*” under the supervision of *Mr. Mustafa Zakaria* For this research purpose, limited number of good-performance company have been selected by me and my supervisor, we feel delighted to inform you that your distinguished organization is one of them.

In this particular context, and to measure the *strategic thinking in Yemeni small and medium sized enterprises SMEs*, we have adapted a questionnaire which we would like you to fill up because you are the people having an expertise and a practical experience of the business market and we believe that your fair and expert feedback will make this research a very successful one.

Here, we would like to ensure you that, the information/feedback provided by you will be kept confidential and will only be utilized for the study/research purpose alone.

We highly hope that you would post back this questionnaire within 2-3 days (maximum) of the receiving the link provided. It will enable us to complete our research work within the allocated time.

Lastly it is to request you that in our country, there is a very little research work being carried on in this area. Your cooperation in this regard will open the doors of research and development in the field of science Management & without your cooperation it is simply impossible.

I shall feel highly obliged if you kindly cooperate with us to the maximum degree of responsiveness in order to make this research a very successful one.

.  
Thank you and Best regards,

**Mohsen Hasan Ali Bahaj**

**(Matric No: 89433)**

Name of firm (optional): .....

## **SECTION A: Background of Respondent**

Please fill the information relating to your background and tick (/) the most appropriate answers where applicable.

### **1. How did you become the owner/manager of this firm?**

- |                          |                               |
|--------------------------|-------------------------------|
| <input type="checkbox"/> | Founder                       |
| <input type="checkbox"/> | Cofounder                     |
| <input type="checkbox"/> | Inherited                     |
| <input type="checkbox"/> | Purchased not from family     |
| <input type="checkbox"/> | Hired or promoted by the firm |

### **2. Primary reason for starting this business:**

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Unemployed due to being laid off              |
| <input type="checkbox"/> | Wanted to be own boss                         |
| <input type="checkbox"/> | Wanted to make money                          |
| <input type="checkbox"/> | Request by family                             |
| <input type="checkbox"/> | Did not like previous work situation          |
| <input type="checkbox"/> | Opportunity to develop own or someone's ideas |

### **3. Highest education level:**

- |                          |                    |
|--------------------------|--------------------|
| <input type="checkbox"/> | School certificate |
| <input type="checkbox"/> | Diploma            |
| <input type="checkbox"/> | Bachelor's degree  |



Master degree

PHD degree

**4. Sex:**

Male

Female

**5. How many years of experience did you started or joined this business?**

1. 1-5 years

2. 6-10 years

3. 11-15 years

4. 16-20 years

5. More than 20 years

**6. Your age?**

1. Less than 20 years

2. 21-25 years

3. 26-30 years

4. 31-35 years

5. 36-40 years

6. 41-45 years
7. 46-50 years
8. More than 51

7. Your position in the business?

- Owner and director
- Owner and manager
- Owner but not manager
- Others (please state)

**Section B: company background**

1. Your firm is located in the state of

- Sana'a
- Hadhramote

9. Your firm's area of operation:

- Local (only in one state)
- Regional (covering more than one state in the northern area)
- National (subsidiaries or branches all over Yemen)
- International (subsidiaries or branches in foreign country)

**10. Age of your firm:**

- Less than 3 years
- 3 to 5 years
- 6 to 10 years
- 11 to 15 years
- 16 to 20 years
- More than 20 years

**11. The legal entity of your firm:**

- Sole proprietorship
- Partnership
- Private limited company
- Public limited company
- Others

**12. Main manufacturing activity of your firm:**

- Agricultural  production
- Supporting products/services  Rubber products
- Plastic products.  Iron and steel products.
- Household products and furniture.
- Processing of agricultural products Forestry products

Electrical and electronic components

**13. Number of products produced by your firm:**

- One
- Two
- Three
- Four
- Five
- More than five products

**14. Number of employees in your firm**

- 10-25 employees
- 26-50 employees
- 51-75 employees
- 76-100 employees

**Section C: strategic thinking emphasis**

When providing your responses to the following statement please relate it to major decisions taken by your firm such as decision to enter a new market for your product, manufacture new product or decision to exit from a particular business

Please provide the extent your firm emphasize the following activities and criteria while making the above decision.

<b>Strategic Thinking Emphasis</b>	<b>Low</b>		<b>High</b>		
	<b>Emphasis</b>		<b>Emphasis</b>		
<b>Foresight</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Design product that provide future competitive advantage					
Make employees understand the future direction of your firm					
Analyze trends to search for future markets opportunities					
Keep track of significant trends that might affect your firm's competitiveness					
Analyze trends to search for future threat from competitors					

Prepare different future scenarios of your firm					
Conduct "what if" analysis on issues that might affect 21. your firm's competitiveness					
<b>Holistic</b>					
Work closely with suppliers to satisfy customer's needs					
Obtain inputs from customers when designing new products					
Work closely with suppliers when introducing new product in the market					
Exchange industry information with competitors					
<b>Insight</b>					
Search and evaluate new market opportunities					
Keep track on demand trends and changes in the industry					
Monitor changes in customers' need					
Keep track on technological changes in the industry					
Monitor changes of competitors actions and strategies					
<b>Creativity</b>					
Provide enough time to identify problem					
Capacity to generate new ideas					

Generate and evaluate a number of strategies before taking action					
Flexibility to adapt to unanticipated changes					
Give a different response to competitors each time they target your customer					
Use different approach from competitors to market product					
Ability to anticipate surprises, threat and crises					
<b>Pragmatic</b>					
Continue manufacturing products that contributed to firm's cash flow in the past					
Market new product only when the expected return is certain					
Implement project only when the expected return is sure					
Move into a different business if the return is better than existing one					
Being "first" in the market at the expense of firm's cash flow position					
<b>Objectivity</b>					
43. Select new project for implementation that is within					

the firm's financial capability					
Implement new project only if it is within the firm's manufacturing capability					
Select project for implementation based on "gut feeling"					
Implement new project with most popular support from colleagues at the expense of profitability					
<b>Competitive Advantage</b>					
Exploit firm's relative strength against those of competitors to achieve competitive advantage					
Focus on market segment where the firm can serve better than competitors					
Produce more innovative product than competitors					
Periodic meeting with key personnel to discuss market strength relative to competitors					
Compare firm's strength and weaknesses against those of competitors					
Anticipate how our competitors respond to the firm's action in the market					
<b>Focus</b>					
Develop strong bonds between the employees and the					



firm					
Create enthusiasm for employees to focus on their work by letting them know the future direction or mission of the firm					
Involvement of senior managers and employees in setting direction for the firm					
Adapt the firm's strategic direction based on changes in customers' needs					
Periodically revised the strategic direction of the firm					

**THANK YOU**