

STRATEGIC PLANNING IN SMALL ENTERPRISES ON SHAPING
THE COMPETITIVE ADVANTAGE OF BOUTIQUE HOTELS IN
SABAH AND SARAWAK

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ABSTRACT

The relevance of strategic planning in small enterprises presents a mixed outcome in the literature. Lack of key decision contents indicators hinder strategic planning among small enterprises owner-managers who depend on their intuition and experience in making strategic decisions. Moreover, the development of strategic planning contents from a unidimensional versus multidimensional approach remains inconclusive. At present, there is minimal knowledge on the applicability of planning dimensions which contribute to small enterprises competitive advantage.

The aim of this study was to determine the relevance of strategic planning in boutique hotels through key planning topics and coordination as the base to develop key decision contents indicators. A novel strategic planning content framework for small enterprises was introduced which allowed inquiry into unexamined aspects focusing on a content-oriented, emergent approach as opposed to process-deliberate. These included decision content, planning formality, owner-manager influence, strategic analysis framework and internal-external aspects. Through a case study approach, semi-structured interviews were conducted with owner-managers of nine boutique hotels located throughout Sabah and Sarawak. Findings suggest strategic planning is relevant for boutique hotels where decision indicators relate to profits, marketing, operations and facilitated by briefing and proposal. Multidimensional approach design is more suitable and all four planning dimensions are pertinent except strategic analysis framework. Strategic planning is considered an option, not a necessity and decision contents are informal and intuitive.

The strategic planning framework for small enterprises is an original contribution of this study focusing on decision contents and planning dimensions. Instant-Messaging Applications, closer collaboration with online travel agents, retention of key employees and knowledge acquisition should guide boutique hotels to remain sustainable. Small enterprises do differ significantly from larger enterprises in their strategic planning practice and future research should consider multidimensional approach.

APPROVAL PAGE

I certify that I have supervised /read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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A handwritten signature in black ink on a light green background. The signature is stylized and appears to be 'C. W. Liang'.

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TABLE OF CONTENTS

ABSTRACT	ii
APPROVAL	iii
DECLARATION	iv
ACKNOWLEDGEMENTS	vi
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS	ix
CHAPTER	
1.0 INTRODUCTION	1
1.1 Background of The Study	1
1.2 Problem Statement	7
1.3 Research Questions and Objectives	12
1.4 Significance of Study	15
1.5 Scope of the Study	17
2.0 LITERATURE REVIEW	19
2.1 Introduction	19
2.2 Boutique Hotels	19
2.2.1 Classification and Ownership	19
2.2.2 Characteristics	22
2.3 Strategic Planning	25
2.3.1 Strategic Planning Distinctions	26
2.3.2 Strategic Planning Fundamentals	29
2.3.3 Process versus Content	31
2.3.4 Strategic Planning Content: Conceptual Framework	33
2.4 Planning Topics and Coordination	41
2.5 Planning Formality	45
2.6 Owner-Manager Influence	50
2.7 Strategic Analysis Framework	56
2.8 Internal-External Aspects	60
2.9 Summary	65

3.0 METHODOLOGY	66
3.1 Introduction	66
3.2 Inquiry Paradigms	66
3.2.1 Major Philosophical Doctrines	67
3.2.2 Ontology and Epistemology	71
3.2.3 Methodological Assumptions of the Study	73
3.2.4 Qualitative Methodologies	74
3.3 Case Studies	75
3.4 Case Study Research Design	80
3.4.1 Purposive Sampling	82
3.4.2 Case Studies Types	84
3.4.3 Number of Cases	86
3.5 Data Collection	89
3.5.1 Semi-structured Interviews	90
3.5.2 Responses Obtained	92
3.5.3 Data saturation	95
3.6 Qualitative Analysis	97
3.6.1 Qualitative Analysis: Approaches and Processes	97
3.6.2 Case Studies: Analysis Strategies	99
3.7 Thematic Analysis	101
3.8 Trustworthiness	106
3.8.1 Confirmability	108
3.8.2 Credibility	108
3.8.3 Transferability	109
3.8.4 Dependability	109
3.9 Summary	110
4.0 THEMATIC ANALYSIS	111
4.1 Introduction	111
4.2 Pilot Study	111
4.3 Data Immersion	116
4.4 Coding and Themes	119
4.4.1 Initial Coding	119
4.4.2 Preliminary Theme Identification	122
4.4.3 Reviewing themes	124
4.5 Themes and Thematic Network Map	127
4.6 Summary	132

5.0 FINDINGS AND DISCUSSION	133
5.1 Introduction	133
5.2 Findings: Strategic Planning in Boutique Hotels	133
5.2.1 Strategic Planning Relevance	134
5.2.2 Key Decision Content Indicators	135
5.2.3 Unidimensional versus Multidimensional Design	138
5.2.4 Extent of Planning Formality	139
5.2.5 Business Orientation of Owner-Managers	142
5.2.6 Familiarity of Owner-Managers towards SAF	146
5.2.7 Convergence of Hospitality Strategy Bases towards Competitive Advantage	148
5.3 Discussion of Findings	151
5.3.1 Strategic Planning Relevance for Boutique Hotels	152
5.3.2 Key Decision Content Indicators	154
5.3.3 Unidimensional versus Multidimensional Design	160
5.4 Planning Formality	162
5.5 Owner-Manager Influence	169
5.6 Strategic Analysis Framework (SAF)	174
5.7 Internal-External Aspects	181
5.8 Summary	187
6.0 CONCLUSION	188
6.1 Recapitulation of the Study	188
6.2 Contribution to Knowledge	189
6.3 Implications for Practice	192
6.3.1 Instant Messaging App	192
6.3.2 OTA-Hotel Networking	194
6.3.3 Addressing Small Enterprises Misconception	195
6.3.4 Key Employees Leverage	196
6.3.5 Knowledge Acquisition	197
6.4 Epistemological Reflection and Limitations	199
6.5 Future Work	203
REFERENCES	207
APPENDICES	252
Appendix A	252
Appendix B	253
Appendix C	257
Appendix D	266

LIST OF TABLES

Table		Page
2.1	Classification of Small and Medium Enterprises in Malaysia	21
2.2	Main Characteristics to be Considered a Boutique Hotel	22
2.3	The Three Fundamentals of Strategic Planning	29
2.4	Classification of Strategy Content Decision	32
2.5	General Formality Plan Structure	50
2.6	Main Comparison between Bases of Competitive Advantage from a Hospitality Strategic Planning Context	64
3.1	Four Categories of Scientific Inquiry Paradigms and their Elements	68
3.2	An Overview of Major Qualitative Methodologies	74
3.3	Characteristics of Case Studies Design	78
3.4	Methodological Structure: Case Studies Research Design	81
3.5	Characteristics of Boutique Hotels which Participated in the Study	84
3.6	Data Collection: Month, Location, List of Potential Hotels and Number of Case Studies	93
3.7	Assigned Boutique Hotel Pseudonyms	94
3.8	Summary of Number of Interviews Conducted	95
3.9	Saturation Grid	96
3.10	Steps of Thematic Analysis	102
3.11	Four Written Forms of Case Studies	105
3.12	Alternative Criteria and Measures for Judging Qualitative Research	107
4.1	Initial Code Generation	120
4.2	Review of Themes	125
4.3	Theme Classification	126
4.4	Theme Labels: Decision Content	128
4.5	Theme Labels: Planning Formality	129
4.6	Theme Labels: Owner-Manager Influence, SAF and Internal-External Aspects	130
5.1	Overview of Findings	134
5.2	Applicability of Multidimensional Design Choice in Boutique Hotels	138
5.3	Orientation of Owner-Managers in their Strategic Planning Involvement	143
5.4	Knowledge Level and Reasons for Utilisation or Non-Utilisation of SAF in Boutique Hotels	146

LIST OF FIGURES

Figure		Page
2.1	Strategic Planning Interface	28
2.2	Conceptual Framework of Strategic Planning Content in Small Enterprises	34
2.3	Planning Topics and Coordination Benchmark	36
2.4	Planning Formality Benchmark	38
2.5	Owner-Manager Influence Benchmark	39
2.6	SAF Benchmark	40
2.7	Internal-External Aspects Benchmark	41
2.8	Entrepreneur versus Owner-Manager Continuum	54
3.1	Multiple-case Holistic Type in the Strategic Planning Content of Boutique Hotels	86
4.1	Interpretation of Business Orientation among Boutique Hotels Owner-Manager	118
4.2	Preliminary Themes: Decision Content in Boutique Hotels	122
4.3	Preliminary Theme Identification: Four Dimensions of Strategic Planning Content	123
4.4	Thematic Network Mapping	131
5.1	Principal Planning Topics in Boutique Hotels	135
5.2	Planning Coordination in Boutique Hotels	137
5.3	Planning Formality Structure in Boutique Hotels	140
5.4	Frequency of Planning Amendment in Boutique Hotels	141
5.5	External Effects Significance in Boutique Hotels Strategy Bases	148
5.6	Internal Effects Significance in Boutique Hotels Strategy Bases	149
5.7	Inclination of Boutique Hotels in Achieving Competitive Advantage	150
6.1	Summary of Contribution to Knowledge based on Strategic Planning Content Framework in Boutique Hotels	190

LIST OF ABBREVIATIONS

B&B	Bed and Breakfast
SME Corp	Small and Medium Enterprises Corporation of Malaysia
SME	Small and Medium Enterprises
EDITION	Boutique hotel brand by Marriot
IT	Information Technology
PEST/STEP	Political, Economy, Social, Technological analysis
SoHo	Smart-Office-Home-Office
CEO	Chief Executive Officer
CBD	Central Business District
SWOT	Strengths, Weakness, Opportunities, Threats analysis
CAQDAS	Computer-Assisted Qualitative Data Analysis
MAXQDA	Qualitative analysis software
GST	Goods and Services Tax
SOP	Standard Operating Procedures
HR	Human Resources
KK	Kota Kinabalu
	Penilaian Menengah Rendah (Malaysian Lower Secondary Education Assessment)
PMR	
SPM	Sijil Pelajaran Malaysia (Malaysian Certificate of Education)
CCTV	Closed Circuit Television
OTA	Online Travel Agent(s)
F&B	Food and Beverage
CPD	Continuous Professional Development
MICE	Meeting, Incentives, Conferences, Exhibitions
MAH	Malaysian Association of Hotels
RM	Ringgit Malaysia (Malaysian Ringgit)
LINE	Mobile chat application (app)
HRM	Human Resource Management
RBV	Resource-Based View of Theory
ARR	Average Room Rate

CHAPTER 1.0 INTRODUCTION

1.1 Background of the Study

Although strategic planning remains a widespread activity within enterprises (Whittington & Cailluet, 2008; Rigby & Bilodeau, 2007) the agreement on the importance of the concept in the hospitality literature has not been reached at present (Phillips & Moutinho, 2014; Gkliatis & Koufopoulos, 2013; Soteriou & Roberts, 1998; Athiyaman & Robertson, 1995). Some authors contended that strategic planning is not just simple accumulation of functional or business plans, it entails devising strategy through relevant actions and improvement to achieve prescribed aims in majority of enterprises (O'Regan & Ghobadian, 2002a; Steiner, 1979).

This reason is attributed mainly to embryonic stage of hospitality strategy research (Qu, O'Neill & Mattila, 2012; Okumus, 2002) as authors in the field had traditionally followed the works of mainstream strategic management literature which is still widely accepted (Harrington, Chathoth, Ottenbacher & Altinay, 2014; Olsen, Tse & West, 2008). After trailing strategic management research by two decades (Okumus & Wong, 2005), hospitality strategic planning has only started to gain attention through current publications (Phillips & Moutinho, 2014; Gkliatis & Koufopoulos, 2013; Soteriou & Coccossis, 2010).

Present day concept of hospitality is closely associated with human exchange designed to enhance the wellbeing of the parties concerned through the provision of accommodation to generate mutual benefits (Brotherton, 1999; King, 1995). It typically requires intensive labour as the main emphasis is on provision of service

(Brotherton, 2003) which partly contribute to problem of high staff turnover due to highly competitive recruitment demand (Olsen et al, 2008). The hospitality industry is fragmented in nature which comprises different sectors among them accommodation, transportation, event planning and entertainment venues (Olsen et al, 2008). Within the accommodation sector, there are commercial establishment such as hotels, lodges, motels, backpacker hostels, bed and breakfast (B&Bs), guesthouses or non-commercial establishment such as tent, caravan and private homes (Albazzaz, Birnbaum, Brachfeld, Danilov, De Vries & Moed, 2003). As a result, this created a mixed service level and offerings across various establishment in satisfying the customer needs (Ryan, 2015).

Harrington (2005) had found that much of the research in hospitality literature contained broad level of analysis rather than limiting to specific sector of the industry such as accommodation. As the accommodation sector of the world has grown, customers have become more accustomed to sophistication, and more demanding to satisfy their personal fulfilment, identity enhancement and self-expression (Cho & Fasenmaier, 2001). They desire services to be tailored to their unique needs with speed and flexibility (Claver, Andreu & Quer, 2006). Conforming to this standpoint, Chacko (1998) agreed that this is especially true as today's hotel guests are more well travelled than previous generations and have clearer notions and expectations of good service. Majority of this group of hotel guests are busy, well-informed middle-aged professionals and growing number of upper-class retirees.

Changes in the global business environment have resulted in new and greater demands in the hotel sector (Gkliatis & Koufopoulos, 2013; Rabontu & Niculescu, 2009; Gilmore & Pine, 2002). To match these demands, hotels have started to differentiate

their market offerings towards maintaining their competitiveness (Jonsson & Devonish, 2009) in response to some customers' inclinations towards latent needs such as online reviews, flexible stay conditions and local area information (Phillips & Moutinho, 2014). One of the measure is the introduction of differentiated hotel concepts (Timothy & Teye, 2009) as the traditional strategy of offering standardised services in the hotel sector is slowly fading especially in the millennial market segment (Hackett & Melia, 2012; Tribe, 2010).

Differentiated hotel concept, or known as specialty, unique or alternative hotel concept was introduced to cater to the needs of modern hotel guests who are transitory in their travel pattern, has greater interest in fine arts, culture, eco-tourism and in search for a unique hotel experience, not just a bed for the night (Lim & Endean, 2009; Van Hartesvelt, 2006). The extent of this transformation goes all the way into conversion of the hotels themselves as the main focus of the stay (McIntosh & Siggs, 2005). This is not just evident in small hotels but also across major chain-owned hotels worldwide such as Rezidor SAS, Marriot, Hilton, Starwood and Intercontinental which are increasingly shifting towards customised offerings to cater different niche segments (McKenney, 2015; Olga, 2009). This has resulted in a shift of hotel preference towards distinctive accommodation type such as boutique hotels which has been one of the most observed changes in global hotel trends (Albazzaz et al, 2003; Gilmore & Pine, 2002).

In terms of definition, the worldwide designation for boutique hotels is still vague ranging from historic to modern, low-cost to luxury (Aggett, 2007; Van Hartesvelt, 2006) and is defined as thematic with notable design (Albazzaz et al 2003) and minimalist decor with lifestyle amenities (Victorino, Verma, Plashcka and Dev, 2005). Boutique hotels are a niche segment where their source of differentiation is commonly

associated with the design, artistic, cultural or historic appeal, halo effect of celebrity patronage, prestige and exclusivity of a property (Johnston-Walker, 1999). The target market for boutique hotels are guests in the early 20s to mid-50s, have a mid to upper income and yet 63% of the segment's business mix is from corporate travel (Balekjian & Sarheim, 2011; Rabontu & Niculescu, 2009). Boutique hotels ownership structures are typically categorised into dedicated chain and independently-owned (Espino Rodriguez & Taylor, 2006). Chain boutique hotels tend to be medium or large enterprises with more than one branch, whereas independent boutique hotels are grouped as small enterprises typically owned and operated by the owners themselves (Chung & Kalnins, 2001; Ingram & Baum, 1997). Academic research on strategic planning in boutique hotels continues to fall behind because of the need to decentralise strategic-related policy to match hospitality industry's assorted ownership structure (Phillips & Moutinho, 2014).

According to Khosravi, Malek and Ekiz (2014), familiarity with the boutique hotel sector in Malaysia is relatively new, combined with the difficulty of coming to terms with an apt definition of this accommodation segment in many parts of the world. Furthermore the listings of some boutique hotels are mostly found in specialised tourism brochures or certain regional tourism offices tourist guides (Rabontu & Niculescu, 2009) resulting in sparse availability of information (Lee-Ross, 1998). For this reason, the exact figure of boutique hotels in Malaysia remains unaccounted. Most of the boutique hotels in Malaysia are located in major tourist spots such as Kuala Lumpur, Penang, Langkawi, Malacca, Kota Kinabalu and Kuching (Malaysian Association of Hotels, 2016). Moreover, awareness regarding the exact rating classifications of boutique hotels in Malaysia only gained traction in 2009 (Khosravi et

al, 2014) even though the issue has been brought up earlier by Agget (2007) and Van Hartlesvelt (2006) albeit from a United Kingdom context.

Geographically, Malaysia is separated by South China Sea into two regions: Peninsular Malaysia and East Malaysia. East Malaysia, or known as Malaysian Borneo comprises two states: Sabah and Sarawak which this study concentrates on due to the positive growth of tourism in recent years (Tourism Malaysia, 2016). Boutique hotels are a recent trend (Hackett & Melia, 2012) and growing in popularity especially in the state capital of Sarawak, Kuching (Ng, 2015; Citrinot, 2009) and Kota Kinabalu, being the state capital and major gateway to Sabah (Tan, 2015). As at November 2016, there are 12 listed small, independent boutique hotels in Sabah (Sabah Tourism Board, 2016) and 7 in Sarawak (Sarawak Tourism, 2016). Due to their international growth, innovative offerings and endless evolution to satisfy guest requirement, boutique hotels are chosen as the proxy in this study among other differentiated hotel concepts. A large number of the existing boutique hotels in Sabah and Sarawak are operated as small enterprises (Sabah Tourism Board, 2016; Sarawak Tourism, 2016).

In practical sense, most small enterprises either do not conduct formal strategic planning (Michaluk, 2002; Hidde & Masurel, 2000; Deakins & Freels, 1998) or those that attempt strategic planning do it on a sporadic basis (Sexton & Van Auken, 1985). Moreover, small enterprises find it hard in gaining access to specialised market intelligence analyses due to their lower resources capabilities and lower access to financial and human capital (Johnson & Scholes, 2002; Karagozoglu & Lindell, 1998). For example, the hire of a single employee does not pose large financial constraint to large enterprises, but is considered significant strategic decision in small enterprises (Reboud & Mazzarol, 2008).

These shortcomings intensify the importance of examining strategic planning for small enterprises in depth- as formal strategic plans are often conducted on an ad hoc basis, strategic analysis framework are developed subject to need and only utilised by a small number of individuals (Kraus, Harms & Schwartz, 2006; Deakin & Freels, 1998), or not conducted at all in many small enterprises (Wang, Walker & Redmond, 2007; Sexton & Van Auken, 1985; Robinson & Pearce, 1983). This is consistent with the contention of Peacock (2004) and Storey (1994) who stated only a 5-10% of small enterprises are ‘gazelles’ or high-flyers with dynamic high growth or expansion intentions leading to competitive advantage- while the majority of other small enterprises are ‘trundlers’-enterprises that just survive.

To further demonstrate this point, the key criterion of enterprise effectiveness largely depends on the absence or presence of strategic planning (Hormozi, Sutton, McMinn & Lucio, 2002; Miller & Cardinal, 1994). This is consistent with the suggestion by Baker, Addams and Davis (1993) that planning does not necessarily guarantee success but many of the contributing factors to business failures could be anticipated and addressed using strategic planning. Some authors reasoned that strategic planning benefited enterprises by generating useful information, creating a higher alertness of competitive surrounding, enhancing internal coordination and reducing uncertainties (Hodgetts & Kuratko, 2001; Koufopoulos and Morgan, 1994).

The aim of this study is to determine strategic planning relevance among small boutique hotels in Sabah and Sarawak through a strategic content-based perspective. This study seeks to identify the main planning decision content indicators and present a clearer guideline on the choice of unidimensional versus multidimensional design in

consolidating the applicable strategic planning dimensions that forms the competitive advantage of small enterprises.

1.2 Problem Statement

Even though strategic planning is common among large enterprises, the relevance of strategic planning among small enterprises is equivocal. The reasons why some small enterprises engage in strategic planning while others do not is generally not well understood (O'Regan & Ghobadian, 2002b). To date, few studies have addressed the strategic planning of small enterprises as most studies fixated on larger enterprises (O'Regan & Ghobadian, 2002a). It is also important to understand that small enterprises needs and decision-making processes differ significantly from those of larger enterprises (Peters & Buhalis, 2004; Morrison & Thomas, 1999; Shrader, Mulford & Blackburn, 1989). For the past few years, accommodation options in Sabah and Sarawak has been bolstered by the opening of boutique hotels to cater for the needs of new travellers who seek comfort and quality at an affordable price. Yet, in-depth studies on the necessity of strategic planning in boutique hotels focusing specifically in this region are uncommon. The boutique hotel landscape in Sabah and Sarawak makes an interesting case study because present day studies on boutique hotels in Malaysia are mostly based upon the state of Penang (Goh, 2015; Khosravi et al, 2014; Ng & Low, 2012) from a non-strategic management perspective. Therefore, a study on the strategic planning of boutique hotels in Sabah and Sarawak is timely to fill the gap in the literature. With the advent of alternative hotel concept, the competition for boutique hotels is on the increase with peer-to-peer accommodation rentals such as AirBnB and capsule hotels.

Small enterprises often lack proper strategic planning guidance. Large enterprises often adhere to complex, detailed decision indicators with in-house expertise at their disposal as part of their strategic planning (Elbanna, 2010). Compared to larger enterprises, small enterprises face many barriers in strategic planning (Reboud & Mazzarol, 2008). Their dynamics have been misrepresented by being treated as scaled down version of larger enterprises (Pansiri & Temtime, 2010; Beaver & Prince, 2004; Morrison & Thomas, 1999) even though this is not transferable to small enterprises requirements due to their flexible hierarchical structure (Tocher & Rutherford, 2009, O'Regan & Ghobadian, 2005). Majority of small enterprises lack the strategy-related expertise and skills that top managers in larger enterprises possess (Elbanna, 2010). Planning practice in majority of small enterprises are largely casual, unstructured and lack sufficient information (Mazzarol, 2014; Aldehayyat & Twaissi, 2011; Tocher & Rutherford, 2009). Some small enterprises tend to be inward-looking, resist changes and believe that they are immune to external changes as part of localised supply chain (O'Regan & Ghobadian, 2005; Hankinson, 2000).

Small enterprises retain their distinctive characteristics from larger enterprises in bureaucracy and hierarchical decisions (Turner, Ledwith & Kelly, 2012; Liao & Welsch, 2003) such as shorter chains of command, efficient information flow and faster decision-making (Bumgardner, Buehlmann, Schuler & Crissey, 2011; Nooteboom, 1994). In small enterprise operations, flexible work practices result in higher adaptability as work culture is less formal (Moroz & Hindle, 2011). Consequently, closeness is maintained on a more personal level with customers and suppliers resulting in stronger networking capabilities (Williams & Nadin, 2011; Batjargal, 2010). In consideration of these unique characteristics, the necessity of small enterprises in

following strategic planning content guidelines of large enterprises remains a gap in strategy literature.

The exact approach in strategic planning dimensions have long been debated whether it should be adopted from a unidimensional or multidimensional design. The state of knowledge on strategic planning dimensions from a hospitality context is still inadequate (Phillips & Moutinho, 2014). Additionally, the applicable dimensions which contribute to enterprise effectiveness are still under dispute (Gkliatis & Koufopoulos, 2013; Phillips, 1999) due to various inconsistent terminologies in strategic planning (De Wit & Meyer, 2004; Koufopoulos, 2002; O'Regan & Ghobadian, 2002a). The other secondary inconsistency came from confound interpretation of planning dimensions addressed such as planning-formality-sophistication interface, functional coverage, internal-external aspects, degree of centralisation and short-term versus long term planning time horizon (Gkliatis & Koufopoulos, 2013; Baba & Zadeh, 2012; French, Kelly & Harrison, 2004). This tendency to treat strategic planning in terms of standalone or unidimensional component (Glaister, Dincer, Tatoglu, Demirbag & Zaim, 2008; Phillips, 1999) for example formality (Veskairi, 2007; O'Regan & Ghobadian, 2004; McKiernan & Morris, 1994), sophistication (Robinson & Pearce, 1983) and time horizon for planning (Rhyne, 1986) may lead to overgeneralisation in strategic planning content (Kraus et al, 2006; Greenley, 1994).

From the methodological view, there are problems associated with establishing causality with quantitative strategic planning dimensions studies and that the relationships are not simply linear, nor are the dimensions that affect competitive advantage easily captured and modelled (Storey, 2011; Sundgaard et al, 1998). This has resulted in criticism from authors who postulated that strategic planning and its key dimensions represent a subtle and complex activity, and to obtain rich data on such

phenomena may be best accomplished through research methods that employ qualitative data gathering techniques (Luoma, 2015; Suklev & Debarliev, 2012; Falshaw, Glaister & Tatoglu, 2006).

This ongoing discord on the appropriate dimensional design indirectly posed questions on the applicable strategic planning dimensions that shapes competitive advantage in small enterprises. A review of recent strategy literature specified four major dimensions of planning formality, owner-manager influence, strategic analysis framework and internal-external aspects that large enterprises should consider but the exact applicability towards small enterprises are relatively unknown.

The exact capabilities of small enterprises in their planning formality still remain enigmatic. Several reviews have found a modest but positive relationship between the success of small enterprises and the formality of strategic planning undertaken (Gkliatis & Koufopoulous, 2013; Stonehouse & Pemberton, 2002; Perry, 2001; Armstrong, 1982). However, the array of strategic planning formality indicators from types of written plan to planning formality system presents a confusing picture (Stonehouse & Pemberton, 2002; Lyles et al, 1993). Due to these varieties, there is a pressing need to develop a basic structure of planning formality as a first step to specify its underlying strategic planning component (Boyd & Reuning-Elliot, 1998) before establishing further empirical linkages (Stonehouse & Pemberton, 2002).

Small enterprise strategic planning research have long reasoned that involvement of owner-managers have critical strategic roles in improving the performance of their enterprises, yet their view has yet to receive much attention in strategic planning literature (Qu et al, 2012; Sadler-Smith, Hampson, Chaston & Badger, 2003). Therefore, it is important to understand what factors might encourage or deter owner-