THE EFFECT OF STRATEGIC PLANNING ON ACHIEVING COMPETITIVE ADVANTAGE IN SMALL AND MEDIUM-SIZED ENTERPRISES: AN APPLIED STUDY ON A SAMPLE OF IRAQI ENTERPRISES

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Abstract
This study aims to examine the effect of strategic planning on achieving competitive advantage among Iraqi small and medium-sized enterprises (SMEs) by investigating four dimensions of strategic planning: strategic environmental analysis, strategy formulation, strategy implementation, and strategic evaluation and control. A quantitative explanatory approach with a cross-sectional design was adopted. Data were collected through a structured questionnaire administered to owners, managers, and administrative decision-makers in SMEs operating across commercial, service, and industrial sectors. A total of 284 valid responses were included in the final analysis. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings revealed that strategic planning has a positive and statistically significant effect on competitive advantage ($\beta = 0.766$, $p < 0.001$), explaining 58.6% of its variance. At the dimensional level, strategy implementation exerted the strongest effect on competitive advantage ($\beta = 0.286$), followed by strategic environmental analysis ($\beta = 0.214$), strategy formulation ($\beta = 0.176$), and strategic evaluation and control ($\beta = 0.142$), with all relationships being statistically significant. These findings indicate that the competitive value of strategic planning does not arise merely from the existence of formal plans, but from the organization's ability to translate environmental analysis and strategic choices into implementable actions, continuous evaluation, and adaptive responses. The study provides empirical evidence from the Iraqi context and highlights the importance of viewing strategic planning as an integrated organizational process that supports the competitive position of SMEs.

1. Introduction

Small and medium enterprises are one of the primary pillars of economic activity on which the employment opportunities, local markets, entrepreneurial activities and private sector activities are built. The ubiquity, however, does not mean that these enterprises have a high likelihood of survival or competitiveness, as they may face constraints on financial and human resources, differing managerial skills, and the lack of access to some information and opportunities in the marketplace. In today's business world with its competitive nature and dynamic environment, the capacity of a business to access their short supply of resources and to make sound decisions becomes a critical factor in the survival and growth of the enterprise (Yahaya & Nadarajah, 2023).

In this context, strategic planning is of particular importance to SMEs. It goes beyond just long term planning and represents management's knowledge of the environment in which the enterprise operates, their understanding of their current position, the selection of objectives that are achievable and the direction of resources to the most important priorities. While planning is less structured and organized in SMEs compared to large companies, it is still evident that there is a clear strategic orientation which helps management minimise randomness in decision-making and respond appropriately to changes in the market (Dhlamini, 2024).

The importance of strategic planning is accentuated by considering it as a continuous process that starts with the internal and external environment analysis, makes way to strategy formulation and selection of the most adequate ones, and then moves to their implementation, monitoring and assessment of outcomes. Rather, the importance of planning is not the plan itself but rather the enterprise's capacity to transform the plan into practices and decisions that are implementable and adaptable to changing conditions within the enterprise. Strategic planning for SMEs has proven to be a critical factor in making them more responsive and able to produce better competitive results (Mashingaidze & Phiri, 2024).

In parallel, the competitive advantage is emerging as a point of survival for the organizations in markets where customers have more choices and products and services are becoming more alike. Competitive advantage isn't created just by having resources, it's created when the enterprise can put those resources to use in a way that generates superior value (to other companies) using them. This can manifest itself in lower costs, better quality, new products or ways of working, and quick adaptation to customer and market requirements. Thus, the power to plan, to choose priorities and to purposely allocate resources may serve as a basis for strengthening and establishing a more competitive and sustainable position of the enterprise (Mashingaidze & Phiri, 2024).

This is especially true of Iraqi SMEs. Studies and data for this sector have highlighted a number of challenges of financing, managerial and technological skills and ability to access markets as well as the need for more enabling conditions for continuity and development of such businesses. The study reveals the need to strengthen the capacities of MSMEs and enhance the environment in which they can increase their productive capacities and engage more effectively in the national economy in Iraq (United Nations Development Programme [UNDP], 2024).

Empirical studies in the Iraqi context also show that strategic decisions and practices are closely linked with the performance of SMEs and how they cope with challenges in the environment. Managerial and business strategies are correlated with the effectiveness of SMEs in Iraq, as shown by Al-Anzi and Jabbar (2014) and the importance of the strategic dimension in strengthening the effectiveness of SMEs. Likewise, Jarad (2020) stated that one of the practices that can help increase the competitive advantage of Iraqi SMEs is knowledge management.

Similarly, Ahmed et al. (2021) revealed that strategic intelligence has a positive relationship with the dimensions of sustainable competitive advantage in Iraqi SMEs, which indicates the importance of building managerial abilities in utilizing information and knowledge strategically. A recent study conducted by Kareem et al., (2024) on SMEs in Iraq also indicated that organizational strategies are positively related to organizational performance and an effective utilization of information may facilitate long term decision making process. The results of this study reveal once again the significance of strategic practices in relation to the performance of Iraqi businesses.

Despite this focus, a significant body of studies in the Iraqi context has also addressed other areas that include strategic intelligence, knowledge management, information systems, business strategies and organizational performance (Ahmed et al., 2021; Jarad, 2020; Kareem et al., 2024) and the need to consider strategic planning as an integral planning process in relation to the competitive advantage of SMEs remains. This is especially important when strategic planning is broken down into four of its essential elements: environmental analysis, strategy formulation, strategy implementation and strategic evaluation and control, and competitive advantage is quantified based on four measures: cost, quality, innovation and market responsiveness.

Therefore, the current research aims to investigate the impact of strategic planning on gaining competitive advantage of Iraqi SMEs. It aims to: Identify how far strategic planning practices help to improve the cost, quality, innovation and responsiveness of these enterprises to changes in the marketplace; and offer an explanation that is more aligned with the reality of Iraqi enterprises, as well as provide findings which may assist owners and managers in improving their strategic practice and enhance their competitive capacity.

1.1. Research Problem

In SMEs, one of the most critical success factors for survival and competition is the quality of decisions made, due to resource constraints. Thus, strategic planning is not about having a plan, it's about having the ability to analyse the environment, identify priorities, make decisions, execute those decisions and compare with the changes in the market. There has been a recent literature review that indicated that if strategic planning is put into practice to inform the business decisions and business's reaction to the market, this could help to improve the competitive outcomes for the business (Mashingaidze & Phiri, 2024).

This is especially the case in Iraq, where SMEs struggle with access to finance, markets, technology, and management skills (UNDP, 2024). While some studies have focused on strategic capabilities including strategic intelligence and its influence on competitiveness in Iraq (Ahmed et al., 2021), there is little evidence that addresses the impact of strategic planning as an integrated process (environmental analysis, strategic planning, strategy implementation and strategic evaluation and control) on the various dimensions of competitive advantage.

Therefore, the research problem is limited to the integrated empirical knowledge of the effect of the dimensions of strategic planning on achieving competitive advantage for Iraqi SMEs, especially identify the most significant dimensions for achieving competitive advantage. Hence, the main research question is "How useful is strategic planning for Iraqi SMEs to gain competitive advantage?"

The following sub-questions are related to the main question: 1) What is the small and medium enterprise strategic planning practice level in terms of the various dimensions in Iraqi SMEs? 2) What the level of competitive advantage in the enterprises studied on each of the dimensions of competitive advantage? 3) Is there a relationship between strategic planning and competitive advantage that has a statistically significant relationship? 4)How Environmental Analysis, Strategy Formulation, Strategy Implementation, and Strategic Evaluation and Control contribute to Competitive Advantage? 5) Of all the dimensions of strategic planning which one is most related to the concept of competitive advantage?

1.2. Research Objectives

Despite the fact that there is no specific written plan, the study has taken the basic concept that the value of strategic planning is not limited to the presence of a written plan, but also depends on the level of use of it in decision making by the enterprise, and the creation of a more favorable competitive position for the enterprise. The main objective, based on the research problem and questions, is to analyze the effect of strategic planning on achieving a competitive advantage in the Iraqi small and medium businesses category.

The following sub-objectives help support this main objective: 1) To diagnose the strategic planning practice of the small and medium enterprises under study based on the four dimensions: environmental analysis, strategy formulation, strategy implementation and strategic evaluation and control. 2) To know the level of competitive advantage which the enterprises under study have attained in the following areas: Cost, Quality, Innovation and Market responsiveness. 3) To find out the impact of Strategic Planning on Iraqi SMEs competitive advantage. 4) To analyze the effect of each dimension of strategic planning on competitive advantage. 5) To determine strategic planning dimensions that can most explain the difference in the level of competitive advantage for enterprises studied.

These aims are not meant for strategic planning to be a 'purely managerial' concept, but rather to help pinpoint practices that could actually make a difference for small and medium sized enterprises in the Iraqi market.

1.3. Significance of the Study

The importance of the study lies in its study of the impact of strategic planning on the competitive advantage of small and medium-size business in Iraq within the framework of an integrated study, which includes the analysis of the environment, strategic processes, strategic implementation, and strategic evaluation and control. Theoretically, it helps to clarify the relative

impact of each planning dimension on the concept of competitive advantage, in order to increase the knowledge available about the relationship between the two in an Iraqi context.Theoretically, it helps to clarify the relative impact of each planning dimension on the concept of competitive advantage in order to increase the knowledge available about the relationship between the two in an Iraqi context. Beyond this, its practical value is being able to identify which strategic practices are most influential for enterprise owners and managers and focus limited resources on these practices, and to have indicators that may be useful for supporting and developing SMEs. The study also has methodological value in terms of being based on field data and its analysis of the relationships between the variables and their dimensions in an integrated quantitative model, which allows for a more precise assessment of the nature of the relationship between strategic planning and the competitive capability.

1.4. Theoretical Review

1.4.1. Strategic Planning: Concept and Theoretical Foundation

Strategic planning (Strategic Planning) is an organized managerial process that connects the internal and external environment analysis, direction and objectives setting, alternative selection, resource allocation and result monitoring. For small and medium-sized enterprises, this process has an added significance due to the limited availability of resources and the importance of adapting to market dynamics, which allows them to manage uncertainty in decision-making and better allocate resources to priorities that are more closely linked to the concepts of competitiveness (Malesu & Syrovátka, 2025; Wang et al., 2025). Effectiveness of planning then does not depend upon the presence of a formal plan but rather upon the ability of the plan to guide decisions and behaviour leading to choices and activities that are put into practice and adapted as needed.

The function can be understood in a way that the Resource-Based View (RBV) and the Dynamic Capabilities Perspective (DC) are integrated. While the Resource-Based View holds that competitive advantage can be gained through the effective utilization of the enterprise's resources and capabilities, the Dynamic Capabilities Perspective emphasizes the capability of the enterprise to detect changes, adapt to them and reorient resources as needed. Strategic planning, therefore, is a tool that connects the enterprise's resources to the needs of an evolving environment, as evidenced by recent studies showing a relationship between planning and flexibility, adaptation and improvement in the competitiveness of small and medium enterprises (SMEs) (Molete et al., 2025; Andrade-Orbe & Becerra-Lois, 2026).

Therefore, the current study takes a strategic planning approach, which is an integrated process of strategic environmental analysis, strategy formulation, strategy implementation and strategic evaluation and control. The aim of planning is not just to make a plan or to achieve objectives but is a continuous practical activity that starts from understanding the environment and ends with monitoring the result and taking corrective measures.

1.4.2. Dimensions of Strategic Planning

The present study considers strategic planning (Strategic Planning) a process of intertwining which starts with the comprehension of the environment and continues until decision making, implementation of decisions and evaluation of the results of the decisions. The study by Rice et al. (2024) highlighted the relevance of planning and monitoring for assisting with the future orientations of small enterprises, and Molete et al. (2025) explained how strategic planning can aid decision-making and the efficiency of resource-use. Furthermore, Mehta et al. (2025) demonstrated that analysis, formulation, implementation and evaluation are interconnected components of the strategic process and Andrade-Orbe and Becerra-Lois (2026) proposed an integrated planning model for SMEs. For this reason, the study will follow four dimensions, which are about the environment analysis, strategy formulation, strategy implementation and strategy evaluation and control.

Strategic Environmental Analysis

Strategic environmental analysis (Strategic Environmental Analysis) is a process of observing and analyzing external and internal factors that affect the enterprise's decisions. According to

Harris (2025), environmental scanning is one of the tools that can be used to gain insights into the trends that will affect the future of an organization, while Sabihaini et al. (2024) showed how environmental analysis is crucial for guiding strategies and Small and Medium Enterprise outcomes. Mwange et al. (2025) also identified positive correlation between environmental scanning and SME performance, while Putra and Amali (2025) revealed that environmental information can be used as a means to improve the competitive advantage, especially in the form of innovation and real response. For this reason, the study takes the following approach to measure this dimension: by monitoring market, customers, competitors and by assessing internal resources.

Strategy Formulation

The process of converting the information generated by analysis into objectives, priorities, and options that are feasible and viable given the resources and competitive position of the enterprise is called Strategy Formulation. According to Kogo (2025) the effectiveness of the formulation is related to the performance of small and medium-sized enterprises, while Natision and Lestari (2025) explained that the competitive position is effective when the vision, capabilities and the market match. Similarly, Chitamba (2025) associated strategy formulation with innovation and strategic agility while the study by Nthiwa and Kamau (2025) revealed that structured formulation is amongst the strategic practices that relate to the better performance of SMEs. In this dimension, therefore, the emphasis is on clear goals, the analysis of options, on the realistic nature of options and on the feasibility of options.

Strategy Implementation

Strategy implementation (Strategy Implementation) is the process of making strategic decisions a reality by identifying the resources, responsibilities, and actions required. Choo (2024) highlighted the role of implementation in the translation of strategy to performance in SMEs, and Khadanga et al. (2026) identified limited resources, leadership, and organizational structures as the primary impediments to implementation in SMEs. Additionally, Morgan et al. (2025) noted that overcoming implementation challenges is key to strategic success, and Sharma et al. (2025) emphasized the role of organizational structure in facilitating the implementation of successful strategies in SMEs. Hence, the study evaluates implementation by the allocation of the resources, the clarity of responsibilities, and the connection with daily activities and strategic goals.

Strategic Evaluation and Control

Strategic evaluation and control (Strategic Evaluation and Control) is the process of observing the outcomes, verifying with the goals, and making corrective actions as needed. Evaluation and control are seen as positive factors influencing the performance of SMEs in the study by Yanda et al. (2025) and the use of performance indicators and continuous review for strategy adjustment to the changing environment is emphasized by Petriakov (2025). Nthiwa and Kamau (2025) also highlighted that evaluation is a crucial component of the strategic management process, and Alim (2025) emphasized the need to combine monitoring with other strategic activities to boost SME performance. Based on this, this dimension represents monitoring, deviation detection, feedback utilization and plan adjustments.

1.4.3. Competitive Advantage: Concept and Theoretical Foundation

Competitive advantage (Competitive Advantage) is the capability of the enterprise to use its resources and capabilities to deliver value that is better to the enterprise than to its competitors. The review by Nasir et al. (2024) indicated that competitive advantage is a key way of converting organizational strengths into performance and is explained by Otache (2024) to be a factor of flexibility and innovation capability of SMEs. Achmad and Wiratmadja (2025) also discovered that there was a linkage between innovation and knowledge management to the competitive position of SMEs, yet Nguyen et al. (2026) highlighted that dynamic and innovative capabilities were significant to the competitive position of the enterprises. Based on this, the study considers competitive advantage as the capability of enterprise to deliver greater value in terms of cost, quality, innovation and responsiveness to the market.

1.4.4. Dimensions of Competitive Advantage

Competitive advantage is not just one thing, but a collection of capabilities that helps the enterprise to be more successful in the market. Rubio-Andrés et al. (2024) showed the role of

strategy and innovation for small and medium businesses to gain a better competitive position in the market, and Masudin et al. (2025) discussed how competitive advantage is related to efficiency, quality, and sustainability practice. Zúñiga-Santillán et al. (2025) also stressed the central role played by the quality and technology in competitiveness of SMEs, while Wilopo et al. (2026) highlighted the role played by agility and the ability of dealing with market dynamics. Thus, four dimensions are used in the study: cost advantage, quality advantage, innovation advantage and market responsiveness.

Cost Advantage

Cost advantage: the enterprise can create waste reduction, more efficient use of resources and give customers better value at a lower cost. In the study conducted by Khawka et al. (2025) on the small and medium enterprises in Iraq, they found that decreased costs in supply chain improved competitive advantage. Further, lean cost management tools can also help in enhancing the efficiency and competitive position (ALShanti et al., 2025), and, lean practices will also help for waste reduction and enhance operational efficiency (Noel et al., 2025). Abiodun et al (2025) agreed that strategic accounting information helps to make cost reduction decisions and competitiveness. Therefore this dimension is related to cost control, reduction of wastes and efficiency in the use of resources.

Quality Advantage

Quality advantage (Quality Advantage) is an enterprise's capability to deliver the reliable, consistent products or services that satisfy or surpass customers' expectations. Zúñiga-Santillán et al. (2025) demonstrated in their meta-analysis that quality is among the key factors affecting the competitiveness of SMEs, while Albadry et al. (2025) revealed that TQM has a significant positive effect on improving the service quality and agility of SMEs. The value of quality practices with regard to promoting the competitive advantage and sustainable performance has also been stressed by Masudin et al. (2025) and by Parast and Safari (2022) who confirmed that quality practices are a key element in improving performance and competitive outcomes in small firms. Thus, this dimension is related to quality consistency, error reduction and meeting customer expectations.

Innovation Advantage

Innovation advantage (Innovation Advantage) is a capacity of the enterprise to generate innovative or improved products, services, or processes that bring value to the enterprise that is not produced by the competitors. Almrshed et al. (2024) reported that innovation had a positive impact on competitive excellence among SMEs in Iraq, and Achmad and Wiratmadja (2025) suggested that innovation is a crucial process for improving SMEs competitive advantage and performance. Furthermore, according to the systematic review performed by Tsakalerou et al., (2025), innovation capability is one of the factors that affects the success of SMEs, and Nguyen et al., (2026) proved the contributions of innovation capability to help SMEs put their organizational capacity into a competitive advantage. This dimension of the study is defined in terms of products, services, processes developed and new ideas used.

Market Responsiveness

Market responsiveness (Market Responsiveness) is the ability of the enterprise to perceive the changes and development of customer needs and competition, and quickly react to them. Wilopo et al. (2026) demonstrated that strategic agility and market-driving capability are related to the enhancement of SMEs' performance in dynamic environments, and Agag et al. (2025) found marketing agility is linked to customer satisfaction and long-term performance. Hamzah (2025) also found that market orientation and adaptability are essential to the resilience of SMEs, whereas Rubio-Andrés et al. (2024) found that strategy, innovation and responsiveness to the market are all interwoven in enhancing market performance. Therefore, this dimension is the rate at which the company can respond to changing customer needs, competitor reactions and new opportunities.

1.4.5. Relationship Between Strategic Planning and Competitive Advantage and Hypothesis Development

Strategic Planning enables the enterprise to synchronize the internal resources with the environmental changes; to determine priorities and to convert decisions into practices which can

be implemented and reviewed. Mashingaidze and Phiri (2024) showed that strategic planning is related to the competitive performance of SMEs, and Izediuno et al. (2024) noted the need for strategic planning to be formulated, implemented, and evaluated to boost the competitive advantage of SMEs. Additionally, Kareem et al. (2024) showed that strategic practices have a positive impact on Iraqi enterprises performance, while Mathias and Ezekiel (2026) confirmed that strategic planning and its dimensions have a positive impact on the competitive advantage of enterprises. Accordingly:

H1: Strategic planning has a positive and statistically significant effect on the competitive advantage of Iraqi small and medium-sized enterprises.

Strategic Environmental Analysis and Competitive Advantage

Strategic environmental analysis facilitates the enterprise to identify the opportunities and threats, grasp customer and competitors information, connect it to enterprise's internal capability and make it more suitable to the market decision. Putra and Rivai (2025) concluded that environmental scanning had a positive impact on competitive advantage whereas Malesu and Syrovátka (2025) highlighted that environmental knowledge was important for the success of SMEs. Wang et al., (2025) described the benefits of analysis in ensuring good decision making and Mathias & Ezekiel, (2026) confirmed that there is a positive correlation between environmental scanning and competitive advantage. Accordingly:

H1a: Strategic environmental analysis has a positive and statistically significant effect on the competitive advantage of Iraqi small and medium-sized enterprises.

Strategy Formulation and Competitive Advantage

The formulation of strategies aids in the transformation of the analysis results into clear objectives, alternatives and priorities that will assist the enterprise in focusing its resources to the areas that have the highest potential for competitive value creation. The findings of Izediuno et al. (2024) indicated there was a positive correlation between strategy formulation and competitive advantage, while Natision and Lestari (2025) gave an explanation about the importance of alignment between vision, capabilities and positioning in the market. The impact of strategy design on financial and non-financial results was confirmed by Wang et al. (2025) and the importance of clear strategic choices for the success of SMEs was confirmed by Malesu and Syrovátka (2025). Therefore:

H1b: Strategy formulation has a positive and statistically significant effect on the competitive advantage of Iraqi small and medium-sized enterprises.

Strategy Implementation and Competitive Advantage

The stage where objectives are converted into resources, responsibilities and actions is called strategy implementation. So the competitiveness of a plan depends on how efficiently the enterprise can implement the plan. Mazhitov et al. (2024) and Izediuno et al. (2024) demonstrated that the coordination between people, plans and processes, as well as the relationship between implementation and competitiveness are positive. The review by Khadanga et al. (2026) identified that leadership, resources and organizational structures were key factors in successful implementation, whereas Wang et al. (2025) found that the quality of implementation is a determining factor of whether strategy is reflected in outcomes. Accordingly:

H1c: Strategy implementation has a positive and statistically significant effect on the competitive advantage of Iraqi small and medium-sized enterprises.

Strategic Evaluation and Control and Competitive Advantage

Through strategic evaluation and control, the enterprise can compare the result with the objective, find out the difference, and take corrective measures, which can help the enterprise to carry out continuous learning and keep up with the competitive position. Study findings by Izediuno et al. (2024) indicated that evaluation had a positive impact on competitiveness and another study by Yanda et al. (2025) showed that evaluation and control had a positive effect on the performance of SMEs. Wang et al. (2025) also highlighted the need for review and monitoring for

non-financial outcomes and Mathias and Ezekiel (2026) argued that strategic control has a positive impact on competitive advantage. Accordingly:

H1d: Strategic evaluation and control has a positive and statistically significant effect on the competitive advantage of Iraqi small and medium-sized enterprises.

1.4.6. Conceptual Model of the Study

The model is based on the Resource Based View and the Dynamic Capabilities Perspective, taking the view that Strategic Planning can help to increase the Competitive Advantage of the enterprise by matching the enterprise's resources with changes in the environment. Strategic planning is regarded as a higher order concept that is a combination of the following four; environmental analysis, strategy formulation, strategy implementation and strategic evaluation and control, and competitive advantage is a combination of the following four: cost, quality, innovation and market responsiveness. The reflective indicators represent the subdimensions and the two higher-order constructs of the model are the dimensions (Sarstedt et al., 2019; Hair et al., 2024).

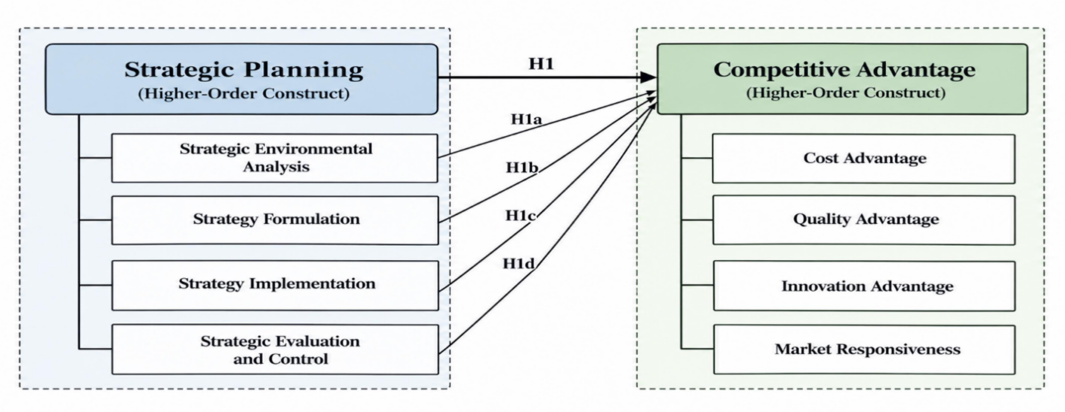


Figure 1. Proposed Conceptual Model of the Relationship Between Strategic Planning and Competitive Advantage in Iraqi Small and Medium-Sized Enterprises

2. Method

2.1. Research Design

The study was quantitative explanatory, and tested the effect of the strategic planning on the competitive advantage of Iraqi small and medium-sized enterprises. Appropriate for the reason that the purpose of the study is not just to describe the level of strategic planning practices or the level of competitive advantage, but to test the hypothesized relationships among the variables and to estimate the relative strength of the dimensions that explain competitive advantage.

The research design used was cross sectional design where the data were gathered from the subjects who were asked at one time through a structured questionnaire. This type of design is common in organizational studies which are designed to explore the relationship between managers' perceptions, managerial practices, and organizational outcomes, but which must be approached with caution because of the cross-sectional nature of the data used.

The unit of analysis was the enterprise and the unit of response was the owner, manager or administrative official who knew the enterprise's decisions. This specification minimises the risk of answers being given by people lacking an appropriate knowledge of the enterprise's strategic planning processes or competitive position.

2.2. Research Population

Research population is small and medium sized enterprises in Iraq in all commercial, service, and industrial activities. The study examined the business units in the SME sector as they faced

more challenges in mobilizing resources than did micro enterprises and large companies, and their administrative structures were also different.

Operational size of enterprises was determined by the number of employees criterion in the Iraqi context. An enterprise with an employment of 4-9 persons was considered as small enterprise, and an enterprise with an employment of 10-29 persons was considered as medium sized enterprise. One of the advantages of using the number of employees is that it is relatively easy to determine and is not subject to the uncertainty of price changes, inflation and/or sectoral differences.

In Iraq, the choice of SMEs is especially relevant, given the increased focus on this sector in the private sector development policies. The development of the SMEs is one of the avenues that has been identified in recent national studies and orientations that can lead to increased private-sector activities, better employment opportunities, and economic growth, but they still have problems in the areas of finance, technology, markets, and managerial skills (UNDP, 2024).

2.3. Sample and Sampling Method

The respondents of the research instrument were enterprise owners, managers and administrative officers who are actively involved in the decision making and planning of the enterprise either as decision makers or as administrators, as they provided first-hand information on the enterprise's decisions and orientations. A purposive sampling method of respondents was used with some attempt to ensure some diversity in enterprise activity, size and geographical location.

To prevent multiple representation of the same enterprise in the data set and to achieve consistency with the level of data analysis, one qualified respondent per enterprise was chosen. In organizational studies oriented towards managers it is better to select a respondent familiar with the topic of the study, rather than randomly distribute a questionnaire among the employees, since the information in this case is linked to the respondent's knowledge of the actual strategic practices of the enterprise.

300 questionnaires were sent to members of the target group. After the initial screening of the data, 284 questionnaires were determined to be analyzable, or 94.7% of the questionnaires that were distributed. The descriptive analysis and modelling of the structural relationships were based on only valid responses. The problem of sample size is clearly separated from the statistical representativeness of the sample with respect to the population. The number of cases required to perform the analysis does not necessarily ensure that the sample is representative of all Iraqi SMEs. Therefore, conclusions are drawn for the enterprises and sectors included in the study and may not be generalizable to the universe of enterprises or sectors beyond the sampling design.

3. Results and Discussion

3.1. Descriptive Statistics of the Variables and Dimensions

The means, standard deviations, minimum, maximum and coefficients of variance for dimensions of strategic planning and competitive advantage are provided in Table 1. The indicators give an initial description of the tendencies of the respondents and the degree of homogeneity between the respondents before moving on to the assessment of the measurement model and testing the structural relationships.

Overall strategic planning and competitive advantage were relatively high with means of 3.73 and 3.78, respectively. Strategic planning and strategic environmental analysis achieved the highest mean score (3.88) at strategic planning level whereas strategic evaluation and control recorded the lowest mean score (3.55) and the highest coefficient of variation (20.8%) which indicates that there is relatively greater variation among the enterprises in monitoring and evaluation practices. In the dimension of the competitive advantage, mean of quality advantage is 3.91 and coefficient of variation is 15.6% which shows that quality advantage is in the highest agreement among respondents on the dimensions of the competitive advantage. Innovation, however, was last with a mean score of 3.63 and coefficient of variation of 20.1%, which shows that the capabilities of the

enterprises in innovation, as measured in the study, were less cohesive when compared with quality and market responsiveness.

Table 1. Descriptive Statistics of the Study Variables and Dimensions

Variable	Dimension	Mean	SD	Min	Max	CV%	Rank
Strategic Planning	Strategic Environmental Analysis	3.88	0.62	1.75	5.00	16.0	1
	Strategy Formulation	3.79	0.66	1.50	5.00	17.4	2
	Strategy Implementation	3.68	0.71	1.25	5.00	19.3	3
	Strategic Evaluation and Control	3.55	0.74	1.25	5.00	20.8	4
	Overall Mean	3.73	0.58	1.69	4.94	15.5	—
Competitive Advantage	Cost Advantage	3.72	0.68	1.50	5.00	18.3	3
	Quality Advantage	3.91	0.61	1.75	5.00	15.6	1
	Innovation Advantage	3.63	0.73	1.25	5.00	20.1	4
	Market Responsiveness	3.84	0.65	1.50	5.00	16.9	2
	Overall Mean	3.78	0.56	1.75	4.94	14.8	—

Note: Coefficient of variation = (Standard Deviation ÷ Mean) × 100.
Source: Prepared by the researcher based on the study data.

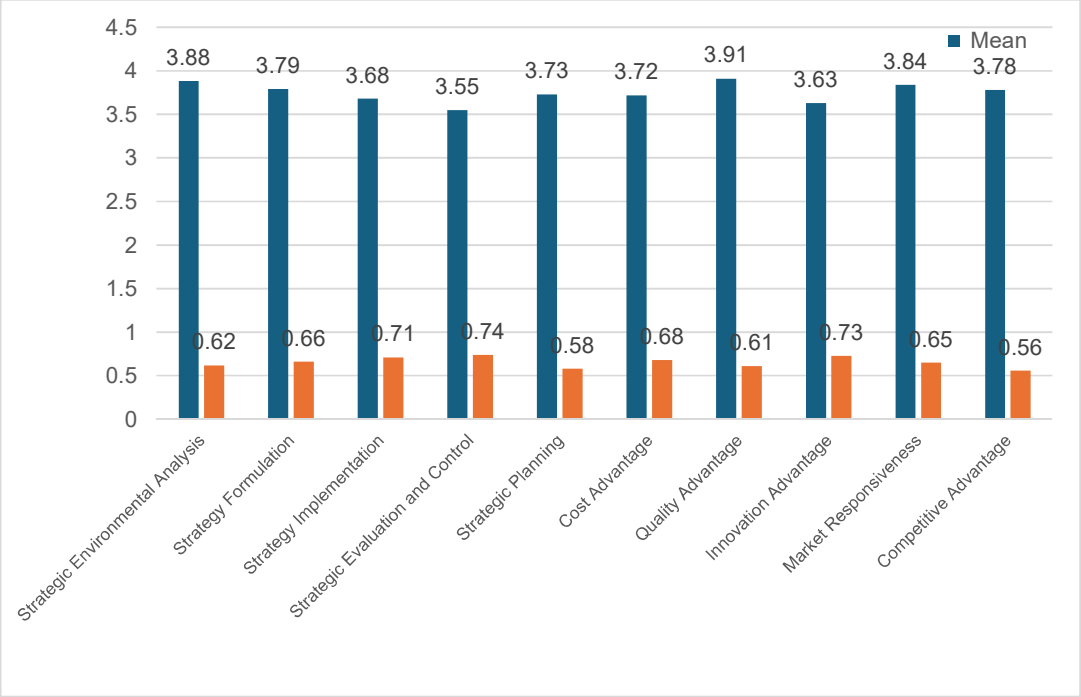


Figure 2. Mean and Standard Deviation of the Study Variables

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3.2. Assessment of Discriminant Validity

Discriminant validity was then tested to ensure that each of the dimensions in the model was measuring a concept that was not being measured by the other dimensions and to ensure reliability

of the measures and their convergent validity. To achieve this, one of the most widely used criteria in Partial Least Squares Structural Equation Modeling (PLS-SEM) in the field of detecting excessive overlap among the constructs is employed, namely the Heterotrait-Monotrait Ratio (HTMT) (Henseler et al., 2015; Cheung et al., 2024).

Table 2. Discriminant Validity Matrix Using the HTMT Ratio

Dimension	ESA	SF	SI	SEC	CA	QA	IA	MR
ESA	—							
SF	0.782	—						
SI	0.741	0.817	—					
SEC	0.716	0.768	0.824	—				
CA	0.588	0.624	0.671	0.632	—			
QA	0.641	0.682	0.704	0.676	0.701	—		
IA	0.612	0.655	0.693	0.671	0.643	0.692	—	
MR	0.735	0.721	0.752	0.739	0.684	0.748	0.806	—

ESA = Strategic Environmental Analysis;
SF = Strategy Formulation;
SI = Strategy Implementation;
SEC = Strategic Evaluation and Control;
CA = Cost Advantage;
QA = Quality Advantage;
IA = Innovation Advantage;
MR = Market Responsiveness.

The Heterotrait-Monotrait Ratio (HTMT) matrix indicated that all the values ranged from 0.588 to 0.824, which are below the conservative value of 0.85. The best correlation was between Strategy Implementation and Strategic Evaluation and Control (0.824), and the next best was between Strategy Formulation and Strategy Implementation (0.817).

Although some dimensions are highly correlated, all values were lower than 0.85, reflecting the fact that the dimensions are theoretically connected, but not empirically. The most high value of competitive advantage dimension is between Innovation Advantage and Market Responsiveness (0.806), which is within the acceptable range.

Results indicated discriminant validity between all the dimensions, this confirmed the measurement model differentiated between the various theoretical constructs to move forward to higher-order model and structural model.

3.3. Structural Model Assessment

Once the measurement model was validated the structural model was examined to gauge its explanatory power of competitive advantage and to test the quality of the relationships between the variables. The inner collinearity was checked by Variance Inflation Factor (VIF), along with Coefficient of Determination (R2), Adjusted R2 and Effect Size (f2) were also determined. R^2 should be used along with other indicators to describe the model, and f^2 provides a measure of the relative contribution of each explanatory variable to the dependent variable.

Table 3. Structural Model Assessment Indicators

Model	Explanatory Variable	Dependent Variable	VIF	f^2	R^2	Adjusted R^2
Overall Model	Strategic Planning	Competitive Advantage	1.000	1.415	0.586	0.584
Dimension-Level Model	Strategic Environmental Analysis	Competitive Advantage	2.18	0.052	0.621	0.616
	Strategy Formulation	Competitive Advantage	2.44	0.036		
	Strategy Implementation	Competitive Advantage	2.57	0.087		
	Strategic Evaluation and Control	Competitive Advantage	2.29	0.025		

VIF = Variance Inflation Factor;
f^2 = Effect Size;

R^2 = Coefficient of Determination;
Adjusted R^2 = Adjusted Coefficient of Determination.

The inner collinearity test results indicated that the VIF values varied in the dimension-level model from 2.18 to 2.57, and fell below the conservative level of 3.00. This means that there is no significant collinearity problem between the strategic planning dimensions in the context of the explanation of competitive advantage. Thus the path coefficients for each dimension may be interpreted with an appropriately high level of statistical independence.

The coefficient of determination (R^2) for the overall model was 0.586 and the adjusted R^2 was 0.584 with regard to explanatory power. The strategic planning accounts for about 58.6% of the variance in competitive advantage, and the rest is accounted for by other factors that have not been incorporated in this model. This percentage is the capacity of the study to explain the dependent variable in a realistic way; however, it is important to not rely on strict classifications of the value of R^2, as this should be considered in light of the nature of the field and the research model.

The independent analysis of the four dimensions increased R^2 to 0.621, which means that the direct analysis of the strategic planning dimensions explains 62.1% of the variance in competitive advantage. This small improvement is a testament to the enhanced value of studying each of the subparts, instead of just the overall value of the higher-order construct.

The dimension of Strategy Implementation had the highest relative contribution (0.087), followed by Strategic Environmental Analysis (0.052), Strategy Formulation (0.036), and Strategy Evaluation and Control (0.025) for the Effect Size (f^2) dimension. Following the traditional criteria for f^2 the effects are in the small range; however the path coefficients and statistical significance should also be taken into consideration when interpreting the effects, since the p-value should not be the only criterion for determining practical importance.

The effect size of the overall model was $f^2 = 1.415$, which shows a large effect that can be explained by strategic planning as a whole construct that has a significant influence on competitive advantage. This value should be used with caution, however, because the overall model only included one primary predictor and is not directly comparable to the effect sizes of the four dimensions in the multiple-predictor model.

3.4. Hypothesis Testing

The Bootstrapping procedure (with 10,000 bootstrap subsamples and 95% confidence intervals) was used in SmartPLS 4 to test the significance of the structural relationships. The procedure enables estimation without assuming the data follows a normal distribution for the Standard Error (SE), t-value, p-value and confidence intervals of the path coefficients. The number of bootstrap subsample used in the final PLS-SEM output (10,000) is a sufficient number to report the final output of the PLS-SEM results with acceptable stability of estimates and confidence intervals (Ringle et al., 2024).

The overall model Strategic Planning to Competitive Advantage was used to test the main hypothesis (H1) while the sub-hypotheses (H1a–H1d) were tested in a dimension-level model. By doing this, this procedure ensures that the higher-order construct and the dimensions are not both included in the explanatory variables of competitive advantage at the same time.

The findings of the overall model showed a statistically significant, positive, and strong relationship between Strategic Planning and Competitive Advantage, having a path coefficient of $\beta = 0.766$; $t = 24.710$; $p < 0.001$. A 95% confidence interval was (0.702, 0.823) which did not contain zero, thus supporting the main hypothesis H1.

In the dimension level, Competitive Advantage was most directly influenced by Strategy Implementation ($\beta = 0.286$, $t = 4.767$, $p < 0.001$), followed by Strategic Environmental Analysis ($\beta = 0.214$), and lastly Strategy Formulation ($\beta = 0.176$). The least effect was for Strategic Evaluation and Control, with a positive although statistically insignificant effect ($\beta = 0.142$, $p = 0.013$).

Table 4. Results of Hypothesis Testing and Structural Relationships

Hypothesis	Hypothesized Relationship	Path Coefficient (β)	SE	t-value	p-value	95% Confidence Interval	Decision
H1	Strategic Planning → Competitive Advantage	0.766	0.031	24.710	< 0.001	[0.702, 0.823]	Supported
H1a	Strategic Environmental Analysis → Competitive Advantage	0.214	0.061	3.508	< 0.001	[0.096, 0.334]	Supported
H1b	Strategy Formulation → Competitive Advantage	0.176	0.058	3.034	0.002	[0.064, 0.290]	Supported
H1c	Strategy Implementation → Competitive Advantage	0.286	0.060	4.767	< 0.001	[0.170, 0.403]	Supported
H1d	Strategic Evaluation and Control → Competitive Advantage	0.142	0.057	2.491	0.013	[0.031, 0.254]	Supported

Note: β = Path Coefficient; SE = Standard Error. All tests are two-tailed at the 5% significance level.
Source: Prepared by the researcher based on the PLS-SEM results and the Bootstrapping procedure.

In the dimension level, Competitive Advantage was most directly influenced by Strategy Implementation (β = 0.286, t = 4.767, p < 0.001), followed by Strategic Environmental Analysis (β = 0.214), and lastly Strategy Formulation (β = 0.176). The least effect was for Strategic Evaluation and Control, with a positive although statistically insignificant effect (β = 0.142, p = 0.013).

All confidence intervals were not zero indicating the proposed relationships were statistically significant. Hence, the latter (H1, H1a, H1b, H1c, and H1d) were all confirmed empirically. The comparison of path coefficients also indicates that the dimension of the actual implementation of strategy is the strongest contributor to explaining competitive advantage, whereas the dimension of monitoring and evaluation, although important, has a relatively low effect within the current model.

3.5. Predictive Assessment

The explanatory power of the model and test of hypotheses was followed up by out-of-sample predictive power, which was assessed with the use of the PLSpredict procedure and Cross-Validated Predictive Ability Test (CVPAT). This assessment is complementary to the coefficient of determination (R2) since high explanatory power in the sample does not necessarily imply that the model is able to explain new observations with a high level of accuracy that were not included in the estimation of the model.

10-fold cross validation with 10 repetitions was used to implement the PLSpredict procedure. The predictive ability was evaluated by Q2_predict and Root Mean Square Error (RMSE) of the PLS-SEM model compared with the benchmark Linear Model (LM).

Table 5. PLSpredict Results for Out-of-Sample Predictive Power

Dependent Dimension	Q^2_predict	RMSE – PLS-SEM	RMSE – LM	Difference	Assessment
Cost Advantage	0.315	0.614	0.628	-0.014	PLS Better
Quality Advantage	0.402	0.557	0.565	-0.008	PLS Better
Innovation Advantage	0.287	0.675	0.669	+0.006	LM Slightly Better
Market Responsiveness	0.376	0.592	0.606	-0.014	PLS Better

Note:
Q^2_predict = Out-of-sample predictive relevance;
RMSE = Root Mean Square Error;
LM = Benchmark Linear Model.
A negative value in the Difference column indicates that the prediction error of PLS-SEM is lower than that of the benchmark model.

The results revealed that the Q^2_predict values were all positive (from 0.287 to 0.402), indicating that the model has some out-of-sample predictive abilities for all the competitive advantage components. The highest predictive value (Q^2_predict = 0.402) was found in Quality Advantage, while the lowest was found in Innovation Advantage (0.287).

A comparison of prediction error revealed that the RMSE values obtained for the PLS-SEM model was less than the benchmark linear model in 3 dimensions. The PLS-SEM model achieved a

higher error for the Cost Advantage, Quality Advantage, and Market Responsiveness variables, while the linear model had only a slightly higher error for the Innovation Advantage (0.669 vs 0.675). These results are broadly consistent with a medium out of sample predictive power of the model, not just from the within sample R^2, as evidence of prediction.

The results indicated that Strategic Planning had a positive and statistically significant effect on Competitive Advantage with Iraqi small and medium-sized enterprises (SMEs) ($\beta = 0.766$, $p < 0.001$) and the model covered 58.6% of the variance in the competitive advantage of Iraqi small and medium-sized enterprises (SMEs). This discovery provides a reason to believe that strategic planning is not just a formal administrative process, but a process that contributes to directing resources, prioritizing goals, and connecting internal resources to external change in the enterprise. The finding aligns with recent findings that show a relationship between strategic practices and performance and competitiveness amongst small and medium enterprises (SMEs) (Malesu & Syrovátka, 2025; Wang et al., 2025; Mashingaidze & Phiri, 2024). It is also in line with the Resource Based View that suggests that value does not come from the possession of resources, but from how they are used, and the Dynamic Capabilities Perspective that emphasizes the enterprise's capacity to sense, respond, and redirect the resources if needed to meet changing conditions.

Differences in the strength of the effects were found at the dimensional level. The strategy implementation had the highest impact on competitive advantage [$\beta = 0.286$, $p < 0.001$] which indicates that the actual benefit of planning comes from translating the objectives and choices into resource allocation, responsibilities and clear operational actions. The present finding is in line with Mazhitov et al. (2024) and Khadanga et al. (2026), who highlighted that the enterprise's capacity to implement strategy and bridge the gap between strategy and implementation is one of the most crucial aspects in maximizing the competitive outcomes. The second most important was Strategic Environmental Analysis ($\beta = 0.214$, $p < 0.001$) which is related to tracking customer needs, competitor moves and changes in the market before decisions are made. This observation aligns with the work of Putra and Rivai (2025) and Mwange et al. (2025), but highlights the need to convert environmental information into real decision making and response in order to create competitive advantage.

In addition, Strategy Formulation also had a positive effect with statistically significant results ($\beta = 0{,}176$, $p = 0{,}002$) showing the importance of having clear objectives and to choose alternatives that are suitable on the resources and market conditions of the enterprise. But its less effecting than implementation implies its quality may not be enough if it is not put into practice. This finding aligns with Wang et al. (2025) and Malesu and Syrovátka (2025) that strategic orientation aligns with internal capabilities. Strategic Evaluation and Control also had a positive and statistically significant effect, but least significant of all dimensions ($\beta = 0.142$, $p = 0.013$). This can be attributed to the fact that its contribution is more in the form of monitoring outcomes and drawing out deviations and redirection of decisions than providing direct value for competition. This is in line with Yanda et al. (2025) who highlighted the role of evaluation and control in enhancing the performance of small and medium enterprise.

The results, however, from a cross-cutting standpoint, suggest that the demonstration of a competitive advantage is not achieved in just one aspect of planning, but is a function of the enterprise's ability to connect analysis, formulation, implementation, and evaluation, and that implementation is more closely related with the manifestation of planning in tangible results. This is crucial in the Iraqi setting, where resource limitations and operational and competitive pressures underscore the need to make effective use of resources and to be quick to market. Thus, the findings suggest that Iraqi SMEs do not require complicated planning systems, but rather a more flexible and interwoven strategic process with a market understanding dimension that facilitates the identification of realistic priorities, their efficient implementation, and continuous monitoring of the results.

3.6. Theoretical and Practical Implications

Theoretically, the study suggests that Strategic Planning is not a single step activity but consists of four phases: Strategic Planning Environment Scan, Strategic Planning and Strategy Formulation, Strategic Planning and Strategy Implementation, and Strategic Planning and Strategy Evaluation and Control, and that all the four dimensions are not equally effective in explaining

Competitive Advantage. The greater impact of strategy implementation underscores the need to translate strategy into action. The results also confirm the Resource Based View and the Dynamic Capabilities Perspective, showing that resources are not a source of competitive advantage unless the enterprise is capable of directing and adapting such resources and applying them to deal with changes in the environment. The study also adds to the empirical studies of this relationship in the context of Iraqi SMEs as there are no studies that have seen competitive advantage as a multidimensional concept meaning cost, quality, innovation and market responsiveness.

From the practical perspective, the results suggest that small and medium enterprises in Iraq should start implementing the planning process by setting clear tasks and responsibilities, connecting resources with tasks, keeping an eye on the changes of the market and the competitors, making realistic decisions on the strategies to be implemented, and reviewing the results via simple measures and indicators to correct deviations. Further findings include the need to focus training and development on the building (manager) and to emphasize implementation, market analysis, monitoring, and resource management skills among the building managers, rather than only preparing business plans. Thus, strategic planning is put into a flexible cycle in which information, choice, implementation and review are connected in a way that is compatible with the characteristics of SMEs and their resources.

4. Conclusion

The research's objective was to explain the impact of Strategic Planning on obtaining Competitive Advantage for small and medium enterprises in Iraq, by considering the strategic planning as a unified process comprising four phases namely analysis of environment, formulation of strategy, implementation of strategy and evaluation and control of strategy, and linking it to the manifestations of competitive advantage represented by cost, quality, innovation and market responsiveness. The results suggest that strategic planning is a significant factor in the determination of the difference between the level of competitive advantage between the enterprises studied. This effect was more prominent when strategic planning was treated as an integrated process, and the notion that the value of planning did not come from a single step, but rather from the enterprise's ability to connect environmental scanning, direction setting, translating of choice into actions and ongoing review of results. It also found that strategic planning dimensions are not equally important in creating competitive advantage. Out of the five dimensions, Strategy Implementation turned out to be the most important, reaffirming the fact that the true difference between planning and performance is in the execution stage from the decision stage. In other words, the quality of the strategy is not enough if the enterprise cannot be able to allocate the resources, define the responsibilities, coordinate the activities and translate the objectives to clear operational practices. Strategic Environmental Analysis, on the other hand, and Strategy Formulation both positively influenced competitive advantage, thus proving the critical role that understanding the market and the enterprise's capabilities plays, along with the need to turn this understanding into realistic goals and choices. Regarding Strategic Evaluation and Control, although these variables were found to have a relatively small impact, they were still valid and important components of the model and were indicative of deviations, the learning from the results and the alignment of the strategy to the changing situation. The significance of these findings is especially notable in the context of Iraqi SMEs as they demonstrate that strategic planning is not less significant in the absence of a large resource base, and that it could even be more significant. The fewer resources available, the more important it will be to carefully choose the priorities, to not spread the resources out and to enhance the speed of response to opportunities and threats. The strategic planning should not be a complex, bureaucratic exercise but a flexible process that evolves constantly and is directly connected to market realities and daily decisions, therefore, it is appropriate to develop the planning for these enterprises in a flexible way, directly related to the realities of the markets. Theoretically, the study validates the integration of the Resource Based View and the Dynamic Capabilities Perspective in the explanation of the concept of competitive advantage, because the findings show that the resources do not necessarily create the value of competition, but the value of competition depends on the ability of management to sense changes, direct resources, implement decisions, and readjust the courses if necessary. The study concludes that competitive advantage does not only stem from having a strategic plan, but from making planning a practice, from linking knowledge to decision making, decision making to implementation, and implementation to learning and adaptation in SMEs. This is what is needed to translate the potential of enterprises with limited resources into competitive value in a better and

more sustainable way. However, these results have to be interpreted taking into account the cross-sectional design of the study and the perceptions of the respondents of Iraqi small and medium sized enterprises. The model could be expanded to incorporate other variables (e.g., innovation capability, flexibility of the organization) or tested by applying longitudinal designs and with various sectors.

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