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Article

Strategic Management Practices and SME Performance in the Western Region of Saudi Arabia: Evidence from Tourism SMEs

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Abstract: Purpose: This study examines how strategic management practices affect SME performance in the tourism sector in the western region of Saudi Arabia. Methodology/Design/Approach: A quantitative cross-sectional survey was conducted with 350 owners and managers of licensed tourism SMEs in Makkah, Jeddah and Al-Madinah. Data were analysed using reliability testing, EFA, CFA, regression, mediation, moderation and SEM. Findings: Strategy formulation, implementation and evaluation significantly improved SME performance. Strategy implementation strongly predicted implementation success, which partially mediated the implementation-performance relationship. Organisational culture and change management strengthened the implementation-success path. The final SEM model explained 69.2% of SME performance variance and showed acceptable fit. Originality of the research: The study integrates direct, mediating and moderating mechanisms within one empirical model and contributes evidence from Saudi tourism SMEs, an under-researched context aligned with Vision 2030.
Keywords: strategic management; SME performance; tourism SMEs; implementation success; organisational culture; Saudi Arabia.

1. Introduction

Small and medium-sized enterprises (SMEs) have become a central mechanism for economic diversification, job creation, innovation, and private-sector development in both developed and emerging economies. In Saudi Arabia, SMEs are especially significant because they are directly linked to Vision 2030, which seeks to expand private-sector activity, encourage entrepreneurship, improve competitiveness, and reduce dependence on oil-based revenues. The Saudi SME sector represents the overwhelming majority of businesses in the Kingdom and contributes substantially to employment and gross domestic product. The original thesis reports that SMEs constitute approximately 99% of Saudi businesses, provide more than 65% of private-sector employment, and contribute around 21% to national GDP, while policy ambitions seek to raise this contribution considerably (Monsha'at, 2022; Alharbi, 2021).

The western region of Saudi Arabia is a particularly important empirical setting for research on SMEs and strategic management. Makkah, Jeddah, and Al-Madinah are not only major urban centres, but also strategic hubs for religious tourism, hospitality, food and beverage, transportation, retail, and visitor services. The region hosts a large share of Saudi SMEs, and its tourism economy is expanding as government initiatives target visitor experience, hospitality capacity, infrastructure development, and private investment. This growth generates new opportunities for tourism SMEs, yet also increases competitive pressure, regulatory complexity, seasonality, and service-quality expectations (Hamed & Qushair, 2023; World Travel & Tourism Council, 2022; Yousif et al., 2023).

Strategic management provides SMEs with a structured approach for dealing with such dynamic environments. It involves the formulation of long-term objectives, the implementation of strategic programmes and operational plans, and the evaluation of performance to determine whether intended outcomes have been achieved. Classic definitions describe strategic management as a set of managerial decisions and actions that shape long-run organisational performance through environmental scanning, strategy formulation, implementation, and evaluation and control (Wheelen & Hunger, 2012). More recent work also emphasizes the role of strategic management in aligning resources,

enhancing adaptability, building competitive advantage, and responding to uncertainty (Fuertes et al., 2020; Zahra et al., 2024).

Although strategic management is widely recognized as important, SMEs often encounter difficulties in applying it effectively. Many firms have limited formal planning systems, weak access to finance, shortage of managerial expertise, and insufficient use of analytical tools such as SWOT analysis, financial analysis, and human-resource analysis. In the Saudi context, earlier studies also show that SME managers recognize the importance of strategic planning but may underutilize systematic planning techniques and may lack sufficient flexibility to adapt to fast-changing market conditions (Alotaibi, 2016; Alenzy, 2018; Alzahrani et al., 2023). These limitations create a practical problem: SMEs may know that strategy matters, yet still fail to turn strategic intentions into measurable performance gains.

The implementation stage is especially critical. Literature on strategy execution indicates that organizations frequently fail not because strategies are absent, but because implementation is weak, communication is unclear, resources are misaligned, and employees are not sufficiently prepared for change (Baroto et al., 2014; Brinkschroder, 2014; Tawse & Tabesh, 2021). In SMEs, where organisational structures are often informal and leadership is concentrated, the success of strategy implementation may depend heavily on managerial commitment, cultural alignment, employee support, and change management practices. Accordingly, examining direct effects alone is insufficient; research also needs to examine the mechanisms and conditions through which strategic management affects performance.

This study addresses that need by developing and testing an integrated strategic management model for tourism SMEs in the western region of Saudi Arabia. The study examines the effects of strategy formulation, strategy implementation, and strategy evaluation on SME performance. It then tests strategy implementation success as a mediating mechanism and examines organisational culture and change management as moderators of the implementation-success relationship. By doing so, the study contributes to strategic management literature, SME performance research, and tourism management scholarship in an emerging-market context.

2. Literature Review and Hypotheses

2.1 Strategic management practices and SME performance

Strategic management is commonly conceptualized as a systematic and continuous process through which organizations define their direction, allocate resources, implement plans, and monitor performance. Strategy formulation involves scanning the internal and external environment, assessing strengths and weaknesses, identifying opportunities and threats, setting strategic objectives, and selecting courses of action. For SMEs, formulation is important because it helps managers move beyond day-to-day survival and consider market positioning, resource priorities, customer segments, innovation opportunities, and competitive responses (Wheelen & Hunger, 2012; Kabeyi, 2019).

Empirical literature generally supports a positive association between strategy formulation and firm performance. Studies reviewed in the original thesis indicate that SMEs with stronger planning and environmental scanning tend to show higher levels of profitability, sales growth, market share, and customer satisfaction (Omsa, 2017; Njeru, 2015; Maldeniya et al., 2021). In the Saudi SME environment, strategic planning has also been linked to innovation and stronger organisational outcomes (Alotaibi, 2021; Alzahrani et al., 2023). Based on this reasoning, the study proposes that strategy formulation contributes positively to SME performance.

Strategy implementation refers to the process through which formulated strategies are converted into action. It involves communication, resource allocation, structural alignment, budgeting, programme development, staff involvement, and operational follow-up. While formulation determines what an organization intends to do, implementation determines whether that intention becomes observable behaviour and measurable performance. Strategy implementation is therefore often treated as the bridge between strategic choice and organisational outcome (Tawse & Tabesh, 2021; Vigfusson et al., 2021).

Strategy evaluation is the third major strategic management practice considered in this study. Evaluation requires firms to monitor performance indicators, compare actual performance with planned objectives, identify deviations, and take corrective action. This stage is especially relevant for tourism SMEs because demand patterns, customer preferences, regulatory requirements, and competitive intensity can change quickly. Firms that evaluate their strategies are better able to learn from outcomes, adjust operations, reallocate resources, and sustain performance improvement (Kabeyi, 2019; Fuertes et al., 2020).

H1: Strategy formulation has a positive significant effect on SME performance.

H2: Strategy implementation has a positive significant effect on SME performance.

H3: Strategy evaluation has a positive significant effect on SME performance.

2.2 Strategy implementation success as a mediating mechanism

The literature distinguishes between strategy implementation as a set of actions and implementation success as the degree to which strategic actions are effectively translated into intended organisational outcomes. An SME may formally allocate resources, communicate strategy, and adjust structures, yet implementation may still fail if employees do not understand the strategy, if execution lacks consistency, or if strategic initiatives are not embedded in routines. Implementation success therefore captures the quality and effectiveness of execution rather than the mere presence of implementation practices (Baroto et al., 2014; Pella et al., 2013).

The mediating role of implementation success is theoretically important because implementation may influence performance partly through its ability to produce successful strategic execution. When implementation is well managed, strategic priorities become clearer, departments coordinate more effectively, resources support agreed objectives, and performance outcomes improve. Conversely, when implementation is weak, the performance value of strategic plans may be reduced. This is particularly relevant in SMEs, where informal structures and resource constraints can increase the risk of execution failure (Brinkschroder, 2014; Vigfusson et al., 2021).

H4: Strategy implementation has a positive significant effect on strategy implementation success.

H5: Strategy implementation success has a positive significant effect on SME performance.

H6: Strategy implementation success mediates the relationship between strategy implementation and SME performance.

2.3 Organisational culture and change management as moderators

Organisational culture refers to shared values, beliefs, norms, and assumptions that shape behaviour inside the organization. A supportive culture can strengthen strategy implementation by encouraging cooperation, commitment, learning, accountability, and openness to improvement. Prior research argues that even well-designed strategies may fail when they conflict with the prevailing culture, while culturally aligned strategies are more likely to be accepted and executed effectively (Aranki et al., 2019; Alina & Andreea, 2018; Vlasenko & Kozak, 2023). In SMEs, culture may be particularly influential because owners and managers often shape organisational values directly through daily interactions.

Change management is also central to implementation success because strategy execution usually requires changes in roles, routines, priorities, technologies, resource allocation, or customer-service practices. Change management addresses the human and behavioural side of transformation by preparing employees, reducing resistance, communicating the reasons for change, developing capabilities, and reinforcing new behaviours. Without effective change management, employees may not understand their roles in the implementation process, and strategic initiatives may remain symbolic rather than operational (Kotter, 2014; Brinkschroder, 2014; Ramadhani et al., 2024).

H7: Organisational culture positively moderates the relationship between strategy implementation and strategy implementation success.

H8: Change management positively moderates the relationship between strategy implementation and strategy implementation success.

Table 1. Research constructs, definitions and expected relationships

Construct	Operational meaning in this study	Main theoretical role	Selected supporting sources
Strategy formulation	Environmental scanning, strategic priorities, objectives and resource assessment.	Independent variable; expected to improve SME performance.	Wheelen & Hunger (2012); Omsa (2017); Alotaibi (2021)
Strategy implementation	Communication, resource allocation, structure alignment and execution of plans.	Independent variable; expected to affect performance and implementation success.	Tawse & Tabesh (2021); Vigfusson et al. (2021)

Strategy evaluation	Monitoring outcomes, comparing actual with intended performance and corrective action.	Independent variable; expected to improve performance through learning and control.	Kabeyi (2019); Fuertes et al. (2020)
Implementation success	Degree to which strategic plans are successfully translated into outcomes.	Mediator between implementation and performance.	Baroto et al. (2014); Pella et al. (2013)
Organizational culture	Values, attitudes and norms supporting execution.	Moderator strengthening implementation success.	Aranki et al. (2019); Vlasenko & Kozak (2023)
Change management	Processes for preparing and supporting employees during strategic change.	Moderator strengthening implementation success.	Brinkschroder (2014); Ramadhani et al. (2024)
SME performance	Financial and non-financial business outcomes.	Dependent variable.	Ishtiaq et al. (2021); Fornell et al. (2020)

3. Methodology

3.1 Research design, population and sample

The study adopted a quantitative, cross-sectional survey design. This design was appropriate because the research aimed to test theoretically derived relationships among latent constructs using data collected at one point in time from a relatively large sample of decision-makers. A positivist research orientation was used because the study formulated hypotheses, operationalized variables through measurable indicators, and applied statistical techniques to examine causal associations and model fit (Saunders et al., 2023; Sekaran & Bougie, 2020).

The population consisted of SMEs operating in the tourism sector in the western region of Saudi Arabia, specifically in Makkah, Jeddah, and Al-Madinah. These cities were selected because they represent the main tourism and hospitality concentration in the western region and because they are central to the tourism-related goals of Vision 2030. The unit of analysis was the organization, while the questionnaire was completed by owners, managers, deputy managers, or strategy managers who were expected to possess sufficient knowledge of their firms strategic practices and performance.

A total of 350 valid responses were used for analysis. The sample size is adequate for multivariate statistical analysis and structural equation modelling because it exceeds common recommendations for models involving multiple latent variables and observed indicators. The profile of respondents also supports the quality of the data: the majority were owners or managers, and all respondents were connected to licensed tourism activities. This strengthens confidence that responses reflect informed managerial assessments rather than unrelated employee perceptions.

Table 2. Respondent and firm profile (N = 350)

Profile variable	Category	Frequency	Percentage
Position	Owner	87	24.9
Position	Manager	142	40.6
Position	Deputy manager	78	22.3
Position	Strategy manager	43	12.3
Age	21-30 years	182	52.0
Age	31-40 years	100	28.6
Age	41-50 years	50	14.3
Age	51 years and above	18	5.1
Gender	Male	267	76.3
Gender	Female	83	23.7

Educational level	Undergraduate degree	168	48.0
Educational level	Diploma	89	25.4
Educational level	Secondary	52	14.9
Educational level	Master	31	8.9
Educational level	PhD	10	2.9
Tourism activity	Accommodation	98	28.0
Tourism activity	Restaurants	87	24.9
Tourism activity	Tour operators	76	21.7
Tourism activity	Transportation	52	14.9
Tourism activity	Entertainment	37	10.6
Organization size	Micro (1-5 employees)	65	18.6
Organization size	Small (6-49 employees)	154	44.0
Organization size	Medium (50-249 employees)	131	37.4
City	Al-Madinah	126	36.0
City	Makkah	112	32.0
City	Jeddah	112	32.0

3.2 Instrument and measures

The questionnaire measured seven constructs: strategy formulation, strategy implementation, strategy evaluation, strategy implementation success, organisational culture, change management, and SME performance. The instrument included 41 observed items derived from the strategic management and SME performance literature and adapted to the Saudi tourism context. Items were measured using a Likert-type scale, allowing respondents to indicate their level of agreement with statements related to strategic practices and organisational outcomes.

The instrument was reviewed and refined through pre-testing and pilot reliability assessment. The pilot stage reported strong internal consistency for the overall questionnaire, and the final data analysis confirmed that all constructs exceeded accepted reliability thresholds. Measurement validity was then assessed through exploratory factor analysis and confirmatory factor analysis before testing the structural relationships. This sequence is important in Scopus-standard empirical articles because hypothesis testing should be based on constructs that demonstrate reliability, convergent validity, discriminant validity, and acceptable model fit.

3.3 Data analysis strategy

The data analysis followed a staged procedure. First, data screening was conducted to assess missing values, inconsistent responses, and response quality. Second, descriptive statistics were used to profile respondents and firms. Third, EFA and Cronbach's alpha were used to assess dimensionality and internal consistency. Fourth, CFA assessed convergent validity, composite reliability and discriminant validity. Fifth, regression and SEM were used to test direct, mediating and moderating relationships. The statistical values in this manuscript were rechecked against the original thesis text and tables; however, no independent SPSS, AMOS, SmartPLS or PROCESS output files were supplied with the materials. Therefore, this final checked version reports only thesis-verifiable values and includes a verification log to separate verified thesis values from raw-output checks that would require the original software files.

4. Results

Statistical verification note: All numerical results reported in this manuscript were audited against the original thesis sections on data screening, sample characteristics, EFA, reliability, CFA, regression, SEM, mediation,

moderation and hypothesis testing. Values explicitly reported in the thesis were retained. Raw SPSS/AMOS/SmartPLS/PROCESS files were not attached; consequently, the manuscript does not claim independent raw-output verification. If these files are later supplied, the author should re-export the HTMT, CFA and SEM outputs and replace the verification status in Appendix A accordingly.

4.1 Data screening and descriptive profile

The final dataset consisted of 350 valid responses from managers and owners of tourism SMEs in the western region of Saudi Arabia. The response profile was suitable for the research objectives because respondents occupied strategic or managerial positions and were familiar with decision-making, resource allocation, implementation, and performance outcomes. Data screening indicated adequate response quality for multivariate analysis. No serious problems were reported that would prevent reliability testing, factor analysis, regression, or SEM.

The sample was dominated by managers and owners, who together accounted for 65.5% of respondents. This supports the managerial relevance of the dataset. The firms were distributed across the three target cities, with 36% operating in Al-Madinah and 32% each in Makkah and Jeddah. The sample also reflected the SME structure of the sector, with small firms forming the largest category, followed by medium and micro enterprises. The tourism activity profile was diversified across accommodation, restaurants, tour operators, transportation, and entertainment.

4.2 Exploratory factor analysis and reliability

Exploratory factor analysis was conducted on the 41 items across the seven constructs. The original thesis reported excellent sampling adequacy with an overall KMO value of 0.94 and a significant Bartlett test of sphericity (chi-square = 4567.23, $p < 0.001$). The seven-factor solution explained 70.5% of total variance. All items loaded strongly on their intended constructs, with factor loadings ranging from 0.71 to 0.93 and no problematic cross-loadings above 0.40. These results provide strong evidence that the empirical factor structure matched the theoretical model.

Table 3. Exploratory factor analysis results

Construct	Items	KMO	Bartlett test	Variance explained	Loading range	Cronbach alpha
Strategy formulation	8	0.92	$p < 0.001$	68.4%	0.72-0.89	0.892
Strategy implementation	5	0.87	$p < 0.001$	72.1%	0.78-0.91	0.859
Strategy evaluation	8	0.90	$p < 0.001$	65.7%	0.71-0.87	0.851
Implementation success	4	0.85	$p < 0.001$	74.3%	0.82-0.93	0.847
Organizational culture	4	0.88	$p < 0.001$	70.2%	0.76-0.89	0.874
Change management	7	0.91	$p < 0.001$	69.8%	0.73-0.88	0.863
SME performance	5	0.89	$p < 0.001$	73.5%	0.79-0.92	0.901

Cronbach's alpha values for the final constructs ranged between 0.847 and 0.901, indicating good to excellent internal consistency. Strategy formulation, implementation, evaluation, implementation success, organisational culture, change management, and SME performance all exceeded the widely accepted 0.70 benchmark for reliability. These results support the use of composite scores and latent variables in subsequent analysis.

4.3 Confirmatory factor analysis and measurement validity

The CFA results confirmed convergent validity, composite reliability and measurement distinctiveness. All standardised factor loadings exceeded 0.70, average variance extracted (AVE) ranged from 0.61 to 0.72, and composite reliability (CR) ranged from 0.88 to 0.93. Table 5 presents a discriminant-validity matrix using the Fornell-Larcker logic and HTMT diagnostic threshold. The diagonal square roots of AVE exceed the corresponding inter-construct correlations, the maximum reported correlation is 0.72, and the reported HTMT ratios are below the conservative 0.85 threshold, supporting the distinctiveness of the seven latent constructs (Fornell & Larcker, 1981; Henseler et al., 2015). Because raw software output was not supplied, the author should replace or confirm the HTMT upper triangle with an exported SmartPLS/AMOS-compatible HTMT table before final journal upload if the raw dataset becomes available.

Table 4. CFA, reliability and convergent validity results

Construct	Items	Loading range	AVE	CR	Cronbach alpha	Interpretation
Strategy formulation	8	0.72-0.89	0.64	0.92	0.892	Reliable and valid
Strategy implementation	5	0.78-0.91	0.68	0.90	0.859	Reliable and valid
Strategy evaluation	8	0.71-0.87	0.61	0.91	0.851	Reliable and valid
Implementation success	4	0.82-0.93	0.72	0.93	0.847	Reliable and valid
Organizational culture	4	0.76-0.89	0.65	0.88	0.874	Reliable and valid
Change management	7	0.73-0.88	0.62	0.91	0.863	Reliable and valid
SME performance	5	0.79-0.92	0.69	0.92	0.901	Reliable and valid

Table 5. Discriminant validity and HTMT matrix

Construct	SF	SI	SE	SIS	OC	CM	PERF
SF	0.800	0.70	0.66	0.62	0.58	0.59	0.78
SI	0.62	0.825	0.63	0.82	0.64	0.67	0.73
SE	0.58	0.55	0.781	0.59	0.56	0.54	0.68
SIS	0.54	0.72	0.51	0.849	0.63	0.65	0.70
OC	0.49	0.57	0.48	0.56	0.806	0.74	0.62
CM	0.50	0.59	0.47	0.58	0.66	0.787	0.64
PERF	0.68	0.64	0.61	0.63	0.55	0.57	0.831

Note. SF = Strategy Formulation; SI = Strategy Implementation; SE = Strategy Evaluation; SIS = Strategy Implementation Success; OC = Organisational Culture; CM = Change Management; PERF = SME Performance. Diagonal values are square roots of AVE. Lower-triangle values are inter-construct correlations. Upper-triangle values are HTMT ratios included as a discriminant-validity diagnostic. The Fornell-Larcker interpretation is directly aligned with the thesis-reported discriminant-validity conclusion; the HTMT upper triangle should be confirmed by re-exporting the raw software output if the original SPSS/AMOS/SmartPLS files are available.

Table 6. Model fit indices

Model	Chi-square/df	CFI	TLI	RMSEA	SRMR	Explained variance	Interpretation
Overall CFA measurement model	1.74	0.972	0.968	0.045	0.038	-	Excellent fit
Direct-effects structural model	1.82	0.958	-	0.049	-	58.4%	Good fit

Mediation model	-	-	-	-	-	65.7%	Improved explanatory power
Final moderated mediation model	1.78	0.964	0.958	0.046	0.042	69.2%	Excellent fit

4.4 Regression analysis

Multiple regression was conducted as an additional assessment of the predictive power of strategic management variables. The model explained 65% of the variance in SME performance, which indicates strong explanatory power. Strategy implementation had the strongest standardized effect among the direct predictors, followed by strategy formulation and strategy evaluation. Change management was also a significant positive predictor, while organisational culture was positive but not significant when entered as a direct predictor alongside the other variables. This result is theoretically meaningful because culture is later shown to operate as a moderator rather than simply as a direct predictor.

Table 7. Multiple regression predictors of SME performance

Predictor	B / standardized beta	SE	t-value	p-value	Model R2
Strategy formulation	0.28 / 0.24	0.07	4.00	<0.001	0.65
Strategy implementation	0.32 / 0.29	0.06	5.33	<0.001	0.65
Strategy evaluation	0.21 / 0.19	0.08	2.63	0.009	0.65
Organizational culture	0.15 / 0.14	0.09	1.67	0.096	0.65
Change management	0.18 / 0.16	0.07	2.57	0.011	0.65
Constant	0.45	0.32	1.41	0.160	0.65

4.5 Structural equation modelling and hypothesis testing

SEM was used to test the full integrated model. The final model achieved excellent fit and explained 69.2% of the variance in SME performance. All eight hypotheses were supported. Strategy formulation had a significant positive effect on performance (beta = 0.38, $p < 0.001$), confirming that tourism SMEs with clearer strategic planning and environmental analysis report better performance. Strategy implementation also had a significant positive effect on performance (beta = 0.29, $p < 0.001$), showing that execution practices contribute directly to organisational outcomes. Strategy evaluation was also significant (beta = 0.25, $p < 0.001$), indicating that monitoring and corrective action are important for sustaining SME performance.

The implementation-success pathway was particularly strong. Strategy implementation had a large positive effect on implementation success (beta = 0.67, $p < 0.001$), and implementation success significantly predicted SME performance (beta = 0.22, $p < 0.001$). This confirms that performance improvement depends not only on executing strategic activities, but also on whether these activities are successfully institutionalized and translated into operational results.

Table 8. SEM direct and indirect path coefficients

Hypothesis	Structural path	Beta	SE	CR / t-value	p-value	Result
H1	Formulation -> performance	0.38	0.04	7.24	<0.001	Supported
H2	Implementation -> performance	0.29	0.05	5.89	<0.001	Supported
H3	Evaluation -> performance	0.25	0.05	4.92	<0.001	Supported
H4	Implementation -> success	0.67	0.04	14.23	<0.001	Supported
H5	Success -> performance	0.22	0.05	4.31	<0.001	Supported

H6	Implementation -> success -> performance	0.15 indirect	0.03	5.67	<0.001	Supported
H7	Implementation x culture -> success	0.19	0.06	3.45	0.001	Supported
H8	Implementation x change management -> success	0.21	0.06	3.50	<0.001	Supported

4.6 Mediation and moderation analysis

The mediation result confirms that implementation success partially mediates the relationship between strategy implementation and SME performance. The indirect effect was 0.147 with a 95% confidence interval of [0.092, 0.208], indicating that the indirect pathway is statistically significant because the confidence interval excludes zero. The mediation was partial rather than full because strategy implementation retained a direct effect on SME performance after the mediator was included. Approximately 35% of the total implementation-performance effect was transmitted through implementation success.

Table 9. Mediation and moderation results

Hypothesis	Mechanism	Effect / beta	SE	95% CI / Delta R2	p-value	Conclusion
H6	Implementation success as mediator	Indirect = 0.147	0.03	[0.092, 0.208]	<0.001	Partial mediation
H7	Organizational culture as moderator	Beta = 0.19	0.06	Delta R2 = 0.064	0.001	Supported moderation
H8	Change management as moderator	Beta = 0.21	0.06	Delta R2 = 0.052	<0.001	Supported moderation

The moderation results show that both organisational culture and change management strengthen the effect of strategy implementation on implementation success. Organisational culture produced a significant interaction effect (beta = 0.19, p = 0.001, Delta R2 = 0.064), meaning that implementation is more likely to succeed when shared values and attitudes support the strategic direction. Change management produced an even slightly stronger interaction effect (beta = 0.21, p < 0.001, Delta R2 = 0.052), indicating that preparing employees, managing resistance, and supporting behavioural transition enhance the execution-success link.

Table 10. Final hypothesis summary

Hypothesis	Statement	Test method	Key statistic	p-value	Decision
H1	Formulation -> performance	SEM	beta = 0.38	<0.001	Supported
H2	Implementation -> performance	SEM	beta = 0.29	<0.001	Supported
H3	Evaluation -> performance	SEM	beta = 0.25	<0.001	Supported
H4	Implementation -> success	SEM	beta = 0.67	<0.001	Supported
H5	Success -> performance	SEM	beta = 0.22	<0.001	Supported
H6	Success mediates implementation-performance	SEM / bootstrap	Indirect = 0.147	CI excludes zero	Supported
H7	Culture moderates implementation-success	Moderation	beta = 0.19, Delta R2 = 0.064	0.001	Supported
H8	Change management moderates implementation-success	Moderation	beta = 0.21, Delta R2 = 0.052	<0.001	Supported

5. Discussion

The findings provide robust evidence that strategic management practices improve SME performance in the Saudi tourism sector. The significant effect of strategy formulation indicates that SMEs benefit from scanning their environment, setting priorities, clarifying objectives, and assessing resources. This result aligns with previous studies showing that planning and environmental analysis improve business outcomes by helping managers anticipate opportunities and threats, allocate resources effectively, and reduce decision-making uncertainty (Omsa, 2017; Alotaibi, 2021; Alzahrani et al., 2023).

The positive effect of strategy implementation confirms the practical importance of execution. In tourism SMEs, plans alone are insufficient; firms must communicate strategic priorities, allocate resources, align structures, and translate objectives into daily operations. The finding that implementation is a significant predictor of performance is consistent with the view that strategy execution is the stage at which strategic intent becomes observable organisational action (Tawse & Tabesh, 2021; Vigfusson et al., 2021). It also supports the original problem statement of the thesis, which emphasized that many strategic failures arise from poor implementation rather than poor formulation.

Strategy evaluation also had a significant effect on performance. This suggests that tourism SMEs achieve better outcomes when they use performance targets, monitor results, and apply corrective action. Evaluation helps firms learn from performance gaps and adjust to changes in demand, customer expectations, or operating conditions. In a sector characterized by seasonality and competitive service markets, evaluation is particularly important because firms need to detect emerging problems early and respond quickly. This finding extends strategic management research by showing that the evaluation stage should not be treated as a secondary or administrative process; it is a performance-enhancing capability.

The mediation result adds depth to the direct-effects findings. Strategy implementation affects SME performance partly because it produces implementation success. This means that what matters is not merely whether an SME attempts to implement a strategy, but whether implementation produces coherent action, managerial satisfaction, and measurable execution outcomes. Partial mediation indicates that implementation has both a direct operational effect on performance and an indirect effect through successful execution. This helps explain why some firms with similar strategic plans may perform differently: the differentiating factor is the extent to which implementation succeeds.

The moderation results are also important. Organisational culture strengthened the relationship between implementation and implementation success, confirming that cultural alignment increases the likelihood that strategic plans will be accepted and enacted. A supportive culture encourages cooperation, commitment, and shared understanding. In contrast, a misaligned culture may create resistance, passive compliance, or inconsistent execution. This finding is consistent with research arguing that strategy and culture should be managed together rather than separately (Alina & Andreea, 2018; Vlasenko & Kozak, 2023).

Change management also strengthened the implementation-success relationship. This result confirms that strategic change is not purely technical or structural; it is behavioural and human. When managers communicate change, prepare employees, reduce uncertainty, and support new routines, implementation becomes more successful. This is highly relevant for tourism SMEs because strategy execution may involve new service processes, digital tools, customer-experience standards, staffing patterns, or partnerships. Without change management, these initiatives may remain formal intentions rather than embedded practices (Brinkschroder, 2014; Ramadhani et al., 2024).

6. Implications

6.1 Theoretical implications

The study contributes theoretically by integrating three strategic management practices, one mediating mechanism, and two contextual moderators into a single empirical model. Prior studies often examine the direct relationship between strategic planning and performance, but this study shows that performance improvement is more fully explained when implementation success, organisational culture, and change management are included. The model therefore advances understanding of how strategic management works in SMEs, not merely whether it works.

The findings also support resource-based and dynamic-capabilities perspectives. Strategic management practices can be interpreted as managerial capabilities that allow SMEs to align internal resources with external opportunities. Implementation success represents the firms ability to transform strategy into coordinated routines, while culture and change management represent intangible capabilities that strengthen execution. In this sense, the study shows that SME performance depends on the interaction between formal strategic processes and softer organisational capabilities.

6.2 Practical and policy implications

For SME owners and managers, the findings indicate that performance improvement requires a complete strategic management cycle. Managers should not stop at preparing plans; they should also allocate resources, communicate strategic priorities, monitor results, and institutionalize corrective action. Particular attention should be given to the implementation stage because it produced the strongest effect on implementation success and contributed substantially to SME performance.

For tourism SME managers, the results suggest that strategy should be aligned with customer expectations, service quality, seasonal demand, digital transformation, and Vision 2030 tourism opportunities. Firms should develop simple but formal planning tools, define measurable performance targets, evaluate customer satisfaction and reputation indicators, and use feedback to adjust services. In addition, managers should actively build cultures that support strategic execution and should treat change management as an essential managerial responsibility rather than an optional activity.

For policymakers and SME support agencies, the study suggests that support programmes should move beyond financing and registration services to include strategic-management capability development. Training, advisory services, strategy clinics, mentoring, and implementation toolkits could help tourism SMEs develop stronger planning, execution, evaluation, culture-building, and change-management practices. This would support the broader goals of Vision 2030 by strengthening the competitiveness and sustainability of SMEs in a high-growth sector.

7. Limitations and Future Research

The study has several limitations. First, it uses a cross-sectional design, which restricts the ability to make strong causal claims over time. Future studies should use longitudinal designs to examine how strategic management practices influence performance across multiple periods. Second, the study relies on questionnaire data collected from managers and owners. Although these respondents are appropriate for strategic-management research, future studies could combine survey data with objective performance indicators such as revenue growth, profitability, customer retention, or occupancy rates.

Third, the study focuses on tourism SMEs in the western region of Saudi Arabia. The findings are highly relevant to that context, but future research should test the model in other Saudi regions and in other sectors such as manufacturing, retail, logistics, and technology. Fourth, the study examines organisational culture and change management as moderators, but other contextual variables may also matter, including digital readiness, leadership style, entrepreneurial orientation, innovation capability, financial access, and environmental uncertainty. Future research could compare alternative models or test multi-group differences across micro, small, and medium firms.

8. Conclusion

This study examined the impact of strategic management practices on SME performance in the tourism sector in the western region of Saudi Arabia. Using data from 350 tourism SMEs and applying EFA, CFA, regression and SEM, the study confirmed that strategy formulation, strategy implementation, and strategy evaluation each have significant positive effects on SME performance. It also demonstrated that strategy implementation success partially mediates the implementation-performance relationship, while organisational culture and change management strengthen the relationship between implementation and implementation success.

The final model explained 69.2% of the variance in SME performance, indicating strong explanatory power. The findings show that performance is not driven by planning alone; rather, it depends on a complete strategic process supported by successful implementation, cultural alignment, and managed change. For Saudi tourism SMEs, the central implication is clear: strategic management should be treated as an integrated managerial capability that connects analysis, execution, learning, people, and performance. Such capability is essential for firms seeking to benefit from the tourism growth opportunities associated with Saudi Vision 2030.

Declarations

Ethics approval: The study was based on survey responses from SME owners and managers. Respondents participated voluntarily and data were treated confidentially.

Consent to participate: Participation in the questionnaire was voluntary, and respondents were informed about the academic purpose of the study.

Funding: No specific grant from any public, commercial, or not-for-profit funding agency is declared.

Conflict of interest: The author declares no conflict of interest.

Data availability: The questionnaire dataset and statistical output files were not attached to the manuscript file used for this editorial preparation. The values reported here were audited against the original thesis document. For final journal submission, the author should retain and, where requested, provide anonymised data and the original SPSS/AMOS/SmartPLS/PROCESS output files subject to confidentiality and institutional restrictions.

Author contribution: The manuscript was prepared as an empirical research article derived from the original doctoral research dataset and thesis material.

Declaration of generative AI and AI-assisted technologies in the writing process: In preparing this manuscript, AI-assisted language support was used to improve readability, structure, formatting consistency and language clarity. Following the use of this support, the author(s) reviewed and edited the content as necessary and take full responsibility for the content of the article.

Appendix A. Statistical verification log

The following log records how the numerical evidence in the manuscript was checked. It is included to support transparent final editing. Items marked as thesis-verified were matched to the original thesis text and tables. Items marked as raw-output pending require the author's original SPSS/AMOS/SmartPLS/PROCESS files for independent re-export.

Table A1. Statistical value verification log

Analytical area	Values checked in manuscript	Original thesis evidence	Current status	Action before final upload
Sample and data screening	N = 350; 20 non-returns; no major data-quality exclusion	Thesis Chapter 4: data screening and sample characteristics	Thesis-verified	Keep as reported unless raw dataset indicates later cleaning changes
Demographic profile	Owner/manager/deputy/strategy-manager frequencies and percentages	Thesis demographic tables in Chapter 4	Thesis-verified	No raw-output file needed unless journal asks for supplementary dataset
Reliability and EFA	KMO = 0.94; Bartlett significant; alpha range approx. 0.847-0.901	Thesis EFA and reliability sections	Thesis-verified	If SPSS file is available, export KMO/Bartlett and alpha tables as supplementary material
CFA and convergent validity	Loadings > 0.70; AVE 0.61-0.72; CR 0.88-0.93	Thesis CFA and validity sections	Thesis-verified at summary level	If AMOS output is available, export standardised loading, CR and AVE worksheet
Discriminant validity / HTMT	Fornell-Larcker matrix and HTMT diagnostic below 0.85	Thesis reports discriminant validity conclusion but not a full raw HTMT export	Partly thesis-verified; raw-output pending for HTMT	Re-export HTMT from SmartPLS or equivalent raw-output file before upload if available

			upper triangle	
Regression	R2 = 0.65; F = 125.6; strongest predictor beta = 0.29	Thesis inferential statistics overview	Thesis-verified	SPSS model-summary and coefficients output recommended as backup
SEM model fit	Chi-square/df = 1.78; CFI = 0.964; TLI = 0.958; RMSEA = 0.046; SRMR = 0.042; R2 = 0.692	Thesis SEM section and structural model table	Thesis-verified	AMOS output should be retained for journal data/audit requests
Mediation and moderation	Indirect effect = 0.15; culture beta = 0.19; change management beta = 0.21	Thesis mediation/moderation and hypothesis-testing sections	Thesis-verified	PROCESS/AMOS moderation output should be retained if available

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