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ROADMAP TO STRATEGIC PLANNING: DEFINITIONS, PRACTICES, AND RELATIONSHIP WITH PERFORMANCE

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ABSTRACT: *The need for strategic planning is, today, more critical than ever before. Strategic planning enables the organization to form strategy, make decisions, assign resources, and manage programs safely, effectively, and efficiently. Accordingly, this paper will explain the main concepts and definitions related to strategic planning, generally, its practices and relationship with performance.*

KEYWORDS: Strategic Planning, Performance

INTRODUCTION

Conceptions and Definitions

Strategic Planning, in the broadest of deciding in advance what you intend to do and how you intend to do it, is not, of course, just a business activity. Strategic planning can be defined as the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities. Robson (1994, p.15) says that "strategic planning aimed at total concentration of the organization's resources on mutually predetermined measurable outcomes". As with any management tool, strategic planning is used for one purpose only: to help an organization do a better job - to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future (Bryson,1988).

A word by word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process: The process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment, if its circumstances are known in advance; organizations often must respond to dynamic and even hostile environments. Being strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment (McNamara, 1999).

McNamara (1999), argues that; the process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and developing an approach to achieving those goals. The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future. Finally, the process is about fundamental decisions and actions because choices must be made to answer the sequence of questions mentioned above. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it. Because it is impossible to

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do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success. The strategic planning can be complex, challenging, and even messy.

Strategic Planning Tasks

"A strategy reflects a company's awareness of how, when, and where it should compete; against whom it should compete; and for what purposes it should compete", (Pearce & Robinson, 2003, p. 2). So a company needs to deal effectively with everything that affects the growth and profitability. Executives in any company need to maximize the anticipation of environmental changes and of unexpected internal and competitive demands. This can be done using strategic planning, which comprises nine critical tasks (Pearce & Robinson, 2003):

1. Prepare the company's mission.
2. Analysis the company's internal conditions and capabilities.
3. Evaluate the company's external environment.
4. Study the company's options by matching its resources with the external environment.
5. Evaluate each option considering company's mission and identify the most desirable one.
6. Choose a set of long-term objectives and grand strategies that will achieve the most desirable options.
7. Develop annual objectives and short-term strategies in the light of the selected set of long-term objectives and grand strategies.
8. Implement the strategic choices by means of budget resources allocation in which the matching of tasks, people, structures, technologies, and reward systems in emphasized.
9. Evaluate the success of the strategic process as an input for future decision making.

As these nine tasks indicate, strategic management involves the planning, directing, organizing, and controlling of a company's strategy-related decisions and actions. Bryson (2011, p. 444), share Pearce & Robinson (2003), in the main strategic planning process model, but in ten steps:

1. Initiate and agree on a strategic planning process
2. Identify organizational mandates
3. Clarify organizational mission and values.
4. Make SWOT analysis.
5. Identify the strategic issues facing the organization
6. Formulate strategies to manage the issues.
7. Review and adopt the strategic plan or plans
8. Establish an effective organizational vision.

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9. Develop an effective implementation process.

10. Reassess strategies and the strategic planning process.

Benefits of Strategic Planning

One of the benefits of strategic planning is that managers at all levels of the firm interact in planning and implementing processes. As a result, "the behavioral consequences of strategic planning are similar to those of participative decision making" (Pearce & Robinson, 2003, p. 8). In addition, strategic planning helps an organization to ensure that all members are on its vision and mission. It helps to know where the organization will be and how to get there. It provides a roadmap for specific actions to fulfil mission. All that mean increasing organizational effectiveness and efficiency (KKF, 2010). Furthermore, "it provides a road map, direction, and focus for the organization's future, sets priorities, establishes measures of success" (Zuckerman, 2012, p. 8). According to Ethridge, et al. (1997), the strategic planning helps the organization to improve decision making, promote strategic thought and action, and solve organization conflict.

Risk of Strategic Planning

There are three types of unintended negative results of the involvement of managers in strategy formulation: • First, the time spent in strategic planning process has a negative impact of operation responsibilities. • Second, when the strategy formulators are not intimately involved in implementation process, they may shirk their individual responsibilities for the decision reached. • Third, unattained expectations may lead to disappointment of participating subordinates. The solution of all these risks are the training of mangers involved in strategic planning process (Pearce & Robinson, 2003). The main limitation of strategic planning is financial cost, time, and full implementation. Since the organization must follow the work plan very closely (Ethridge, et al., 1997).

Long-Range Planning not Strategic Planning

Tregoe & Tobia (1995) and Allison & Kaye (2005) explained that:

1. The backbone of long-rang planning is the projection of current operation into the future. Many inputs like, economics, environmental, socio-political, and technological changes are used to determine how expansive or cautious the organization should be about projecting its current operations. Often, these types of inputs are not used as a basis for determining a strategic direction.

2. Long-range plans depend on the current situation in the writing of the main objectives. So, the plans determine the direction of the company in the future, instead of the direction of the firm is used to determine its plans in strategic planning.

3. In long-range plans, objectives are set in financial terms, so the projection of products, markets, and resources are then developed to achieve these objectives.

4. To make projections, long-range plans are built up from the lowest levels.

5. Long-rang plans are always overly optimistic. This results mainly from wish of those making the projections at several levels of the organization to do better in their areas in the future.

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Optimistic plans tied resource allocation, since influence of strong personalities and the unrealistic goals they guarantee to reach often undermine strategic considerations.

7. It takes a huge amount of work to project three years ahead, and let alone five years and beyond. If a clear strategic framework is forbidden to define what the organization wants to be, long-range planning is compelled to build a composite image of the organization by projecting every future detail of business.

8. Long-range planning is "really more short-range than anyone cares to admit" (Tregoe & Tobia, 1995, p. 6). Since long-range planning theory advises that planning should project out five years and then draw back to the first year. Really this can't be done in the absence of a structured framework for looking ahead five years.

The Business Plan is a Management Tool

The business plan is considered as a management tool for the following (SCORE, 2006): • Formulating specific goals and objectives. • Upgrading efficiencies. • Identifying opportunities for improvement. • Establishing performance guidelines. • Raising funds. • Guiding the implementation of strategies.

Strategic Planning Models

Different strategic planning models provides a range of alternatives from which organizations might select an approach and start the development of their strategic planning process. The Organizations might choose to integrate the models in order to achieve best performance. These models are basic strategic planning, issue-based planning, alignment model, scenario planning, organic planning (Kriemadis & Theakou, 2007), (Anheier, 2005). According to (Bryson, 2011), there are another different model to strategic planning, such like: Harvard model, Strategic planning system, Management of stakeholders, Portfolio models, Competitive analysis, Strategic issue management, Strategic negotiations, Logical incrementalism and Strategic planning as a framework for innovation. Nolan, Goodstein, & Goodstein (2008) stated that there is another model called the applied strategic planning model which is the most important model according to this reference.

Basic Strategic Planning/ Strategic Planning Systems

This model is suitable for organizations that are small, busy and have no experience in strategic planning before. Planning is usually carried out by top-level management. The basic strategic planning process includes:

1. Create mission statement. In other words, identify the purpose of the organization. This statement will change somewhat over the years.
2. Select the goals that will help to achieve the mission statement.
3. Choose the appropriate strategy to achieve each of the organization goals.
4. Create action plans to implement each strategy. Each objective should be clear and can be easily evaluated.
5. Monitor and evaluate the implementation process and update the plan according to the context.

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The Harvard Policy Model

If the organization begins with the first model, basic strategic planning, it will develop to use issue based on planning model. This model is more comprehensive and effective than the basic model. The following points describe the general shape of this model, but an organization may not do all the following activities every year:

1. Internal and external analysis to determine SWOT.

2. Identify and prioritize major issues or goals using strategic analysis.

3. Build major strategies or programs to deal with issues or goals.

4. Build or update vision, mission and values (this step can be the first step).

5. Design action plans (objectives, needed resources, roles and responsibilities for implementation process).

6. Create the first-year operating plan according to the first year/stage in the strategic plan.

7. Determine the needed budget for the operating plan.

8. Implement the operating plan.

9. Follow up and update strategic plan.

10. Document everything in previous steps.

Alignment Model

This module aims to ensure that, there is a strong relationship between the organization's mission and the resources available making it easier to run the operation. Also, this model is used to refine strategies or find out why they do not work. Organization may resort to this form if there is a problem in the efficiency. The main steps are:

1.The strategic planning team identifies the organization's mission, programs and resources available and the required support.

2. Determine what is working correctly and what is needed to change or improve.

3. Determine the mechanisms for implementing the required change or improvement. 4. Add new adjustments as strategies in the strategic plan.

Scenario Planning

This approach can be used in conjunction with other approaches to ensure that the strategic planners have a sense of strategic thinking. This approach is particularly useful in identifying issues and strategic goals. The general steps are:

1. Chose a set of external forces and imagine the impact on the organization, such as the change in the regulations, or demographic changes and can all which be found through newspapers or a variety of information sources.

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2. For each expected change, the planners must study carefully three possibilities; the worst case, the best case and the reasonable case. Often the worst case helps to promote change in the organization.

3. Suggest appropriate strategies to respond to each case from previous cases.

4. Planners must identify strategies that can be used to respond to expected external changes.

5. Choose the closest to the changes occurring in the coming years and determine the most appropriate strategies that must be implemented by the organization to response to these changes.

Self – Organizing Planning

Traditional models of strategic planning can be considered as linear, since its nature are public to the private or the relationship of cause and effect. There is another view of strategic planning, like the development of an organic (or self-organizing) process. Self-organizing requires continual reference to common values, and continued shared thinking around the current systems processes. The general steps are:

1. Clarify and confirm the organization's cultural values.

2. Explain the group's vision of the organization.

3. On an ongoing basis, engage in a dialogue about the processes that needed to reach the vision, as well as what the group is going to do now about those processes.

4. Continuously, this kind of planning needs to significantly clarify the mechanisms of learning values, dialogue and reflection, and updated operation.

5. Be patient significantly.

6. Focus on learning and less on method.

7. Ask the group to think about the needed mechanisms to clarifying the idea of this type of models to the stakeholders, since they expect the linear way of planning.

Criticisms of Strategic Planning

Perry et al., (1993), stated some criticisms of strategic planning; The five most criticisms are:

1. Because strategic planning over specifies means, it lacks flexibility and may exclude or postpone a new and better solution.

2. Planning limits innovation by projecting the past into the future.

3. When resources are allocated based on plans and not on previous performance, the strategic planning process invites managers to play games.

4. Planning restricts learning because it is an excuse for inaction.

5. Planning leads to structural, not behavioural, situations.

Strategic Planning and Performance Relationship

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The literature on strategic planning and performance of small businesses confounds the relationship between these two phenomena. Basically, this relationship can be categorized into three; positive impact, negative and no impact. The relationship between planning and financial performance was investigated in terms of four independent variables; size, age, planning history and levels of strategic planning. Referring to the four levels of strategic plans, firms that engaged in structured strategic planning outperform the rest with respect to financial performance. It was evident that the levels of planning process have an impact on financial performance. However, this impact has not clearly shown its direction. Another important independent variable was the history of planning and concluded that firms with long planning histories also outrun the firms with short planning histories (Bracker and Pearson, 1986). In comparison of performance of the firms which are engaged in strategic and operational planning revealed that the performance of the firms engaged in strategic planning was significantly high than their counterparts. Further, it was emphasized that merely strategic planning was not directly associated with high performance, but, both strategic and operational planning. Firms engaged in structured strategic planning were more effective than those with other types of planning. Conversely with Bracker and Pearson (1986) it was failed to confirm significant financial performance differences between long and short planning histories. But, firms with long planning history and structured strategic planning outperformed the other two types of planners. The results of an empirical study done by Glen and Weerawardena (1996) supported a significant relationship between strategic planning sophistication and performance. Kargar and Parnell (1996), the relationship between strategic planning and performance in small banks was measured seven characteristics of planning and two dimensions of performance as explained earlier. Findings concluded that there was a significant positive relationship between each planning characteristic and each dimension. In contrary to previous empirical findings an interesting and unexpected finding was emerged in the study of Dahlgaard and Ciavolino (2000) which was based on 120 Italian industrial companies. Seemingly the leaders had not understood the importance of strategic planning as an indicator of business performance. Hence leaders have to study factors which assure high impact on organizational performance. Kraus et al (2006) tested the strategic planning (time horizon, formality, use of planning instruments and control of plans)/performance relationship (employee growth) of 290 small enterprises in Austria. A significant positive relationship was only found for the degree of formalization. More specifically higher the degree of planning formalization, better the performance of small enterprises. Gică and Negrusa (2011) tested the relationship between components of strategic planning with the performance of 200 Romanian SMEs. The study focused on overall strategic planning with overall performance and partial influence of each components of strategic planning to overall performance and individual measures of performance with overall strategic planning. Results were not supported enough to confirm the general relationship between overall strategic planning and overall performance. That is the correlation was negative.

CONCLUSION

This paper provided a short description of strategic planning, its definition, models, benefits, risks and criticisms. Moreover, the paper highlighted the relationship between strategic planning and performance in empirically conducted research.

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