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Strategic Planning as the Success Key of Business Organizations

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Abstract

This study aims to shed light on the role of strategic planning by utilizing the resource-based view (RBV) model to achieve an organization's success. Through reviewing related literature it becomes necessary for organizations to prepare their financial or non-financial resources as success instigators. This applies mainly to tangible assets that can produce high-quality products and human resources and can attract potential customers to achieve competitive advantage. Hence, the ultimate finding articulates that using strategic planning through a resource-based view is the key to success. For future study there is a need to include more resources in a resource-based view like a relationship with key stakeholders that is also considered an essential asset.

Keywords: Strategic planning; Resource-based view; SWOT analysis.

1. Introduction

Organizations have recently tended to abandon traditional planning and shifted to strategic planning. This was not a coincidence; there were many reasons behind this. Globalization and its consequences have imposed many challenges on organizations such as intense competition, due to economic and cultural openness, the widespread of multinational companies, and people's attitudes towards shifting from social mindedness to global mindedness. Based on these and other challenges, it has become extremely difficult for an organization to achieve its goals, both in the long-term or in the short-term. This is in addition to the tremendous and accelerating progress in information and communication technology that has forced managers to change their ideology in thinking from the present moment to the future. This paper will focus on how strategic planning can be a success instigator for businesses.

This paper focuses on strategic planning being an activity that determines the organization's general framework and its long-term goals taking into account the pros and cons as well as obstacles facing the implementation process. Any alteration or amendments on this type of planning is very simple and is carried out in interims over time; however it has become an alternative for traditional planning which is restricted to renewable and periodic activities of the project or the organization in the short or medium-run.

Furthermore, the paper also stressed that strategic planning in the organizations is strongly related to other entities or bodies that are responsible for developing organizations' strategies on one hand and the parties affected and affecting the strategic decisions of those organizations or entities influencing the decisions of these organization, namely primary or secondary stakeholders. Stakeholders mainly comprise: employees, customers, suppliers, importers, competitors, the government, lobbyists, educational institutions, the local community, trade unions, labour associations and political parties.

Nonetheless, no study of these studies included by the researchers, focused directly on the importance of making a real participation or synchronization between the organization's administration and the interested parties or stakeholders in continuous strategic planning process and a sequence of timeline. On the other hand, the research paper confirmed that such participation is critical either for the organization's mentality or its practices on the ground. This will pave the way for creating mature administrative practices towards accomplishing corporate governance, (a term that refers to the liaison between the three parties: the board of directors, the higher administration and the shareholders) which identify the company's performance and design its policy. Such practices that represent these parties' roles and develop its various strategies will be the key to achieve the corporation's success.

2. Literature Review

The researcher has selected previous studies that comply with the idea of this research and enhance strategic planning. Pertusa-Ortega *et al.* (2010), have compared the effectiveness of using resource-based view rather than the contingency approach in gaining competitive advantage. In this line, most sources of the literature have analyzed the relationship between organizational structure, competitive strategy, and the firm performance by using the contingency approach, but in their study, they have conducted this analysis under using (RBV) variable. The study was conducted on a sample of large Spanish firms. The results showed that (RBV) strongly supports gaining a competitive advantage.

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While Nath (2010) have employed resource-based view paradigm to explore the relative impact of organization's functional capabilities represented by marketing and operations, and diverse strategies, namely, products, services, and international expanding as organizational resources on financial performance. The study was conducted on archival data of 102 logistic companies operating in the U.K. under the pre-assumption, that the link among these variables depends on the organization's relative efficiency to integrate its resources, capabilities, and performance. According to this assumption, the results showed that marketing capability is the active determinant for better financial performance, and response to the market needs encourages the organization to improve its resources allocation decisions.

The study of Aldehayyat (2011) examined the relationship between strategic planning and the firm's performance. The study was conducted on 105 small industrial companies listed in Amman Stock Exchange. The results showed that there was a positive liaison between strategic planning and financial performance, and the number of small businesses which have relied on strategic planning is increasing over time, due to their belief in its benefits especially the enhancement of corporate performance. In addition, strategic planning in such firms is practiced by top and line management through using of environmental scanning both internal and external, besides using the firm's resources such as internal capabilities, human resource, and technology.

Hinterhuber (2013), conducted a study aiming to suggest the widening of resource-based view model to include the demand based variables of customer needs and size of the addressable market segment in the definition of the resources and capabilities that enable competitive advantage and superior profitability. The study was conducted by relying on the current literature, and two qualitative case studies in Austria. The findings showed that if the resources and capabilities are valuable, rare and inimitable and organized and if they address the unmet customer needs in market segments they would cover organizational fixed costs.

3. Conceptual Framework for Strategic Planning

According to Kaplan *et al.* (2003), strategic planning refers to how an organization makes sense of where it is going. Other authors have defined the strategic planning process in terms of the steps required to enable an organization to determine its direction - its vision - and what the organization is going to do and for whom - its mission - and the criteria of measuring these actions, and how to guide the organization in its strategy to achieve these goals (Taylor, 2009).

Sony (2011), pointed out that the formal strategic planning process focuses on the implementation of certain long-term targets. Some other researchers defined strategic planning by linking strategic planning, creativity, and innovation in an organization. Robert (2001) and Tushman (2013) stated that strategic planning enables the firm to discover new business opportunities that may lead the firm to innovate new products or services, or to a new working manner (Shahbaz *et al.*, 2017).

Practitioners view the strategic planning process in a more in-depth manner than the mere definition of the term. They consider strategic planning, strategic management and operations management in an organization as an intertwined triad working to achieve the organization’s goals as evidence of its success, and where strategic planning is the backbone of strategic management. As the organization’s management adopt a strategic management approach, strategic planning produces decisions issued by the decision-makers in the organization, and these decisions will be strategic decisions for all the activities of the organization and its resources and operations (Bryson, 2018; Whittington, 2007).

Producing a strategic plan does not mean only identifying the vision and mission of the organization and its objectives. This idea leads the researcher to cite what was stated by Joel Barker (Shahbaz *et al.*, 2018b).

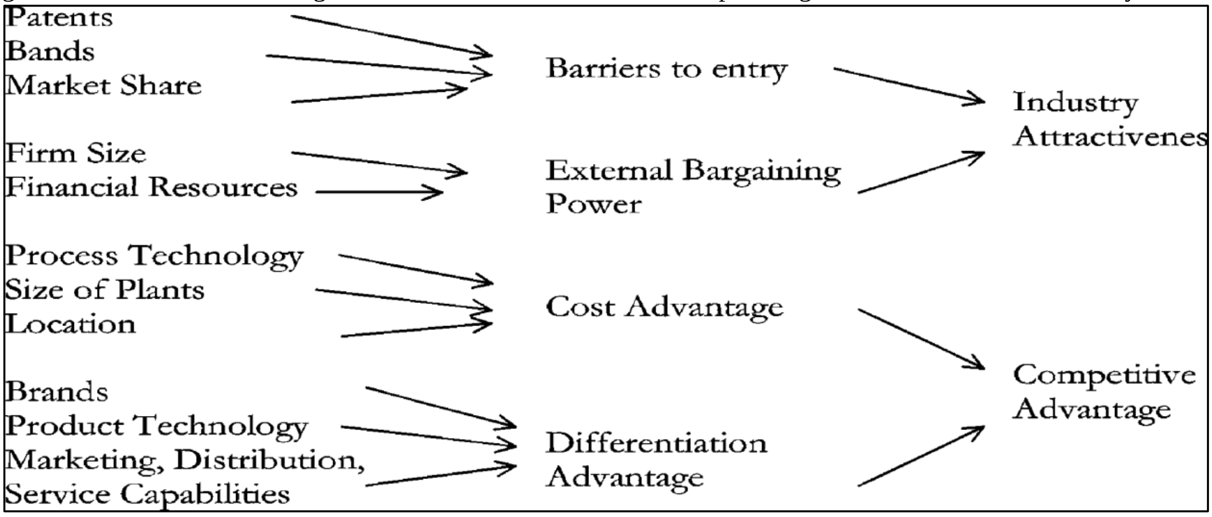
> “Vision without action is merely a dream
> Action without vision just passes the trine
> Vision with action can change the world”
> Source: Watson and Mike (2003)

Accordingly, Grant (2003) suggested a strategic plan must have the following:

1- Senior management collectively owns the strategic plan. Senior managers in the organization must work together as a team.
2- The strategic plan must be inclusive to cover all the organization’s activities, resources, and relationships.
3- The strategic plan must include operational realities - the organization should identify its weaknesses and challenges, and must prepare procedures that are able to meet them.
4- The strategic plan must include specific and tangible actions assigned to employees (who will do what, when and how).
5- To appraise the success level of the plan, it is necessary that measures which evaluate progress are included in the strategic plan.
6- The strategic plan must be grounded in economic realities, so it must be linked to the income statement.

One of the approaches that are most likely to be used by organizations to develop a strategic plan is the resource-based view (RBV). However, this is not an alternative to SWOT analysis because the application of a certain approach depends on the nature of an organization’s business (Pentland and Feldman, 2005). According to Wright (2001), RBV has influenced strategic management in the last decade, unlike any other theoretical approach. Therefore, this paper will address this new approach as a tool for strategic management to produce a strategic plan, by assuming that the organization plans to achieve a competitive advantage.

SWOT analysis guides the organization to identify the expected threats, in addition to the internal weaknesses within the organization. Therefore, the decision- makers and strategic planners in the organization should identify the expected opportunities that may benefit the organization through the market survey, and thus prepare the equipment to take advantage of these opportunities and turn threats to opportunities by activating the use of the organization's resources. The figure below shows the resource-based planning and its link with SWOT analysis.

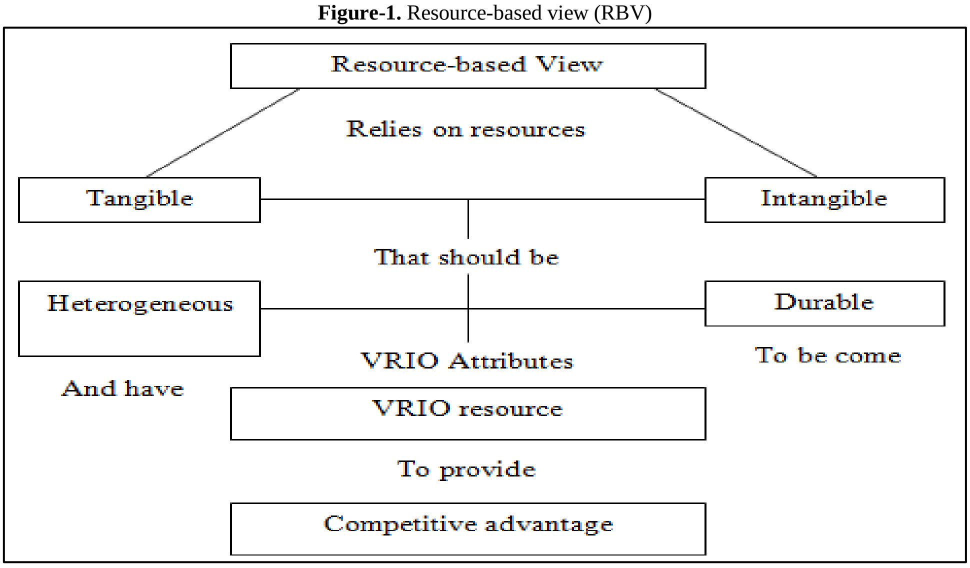


Scenario Driven	**Strengths, Resources Competencies**	**Weaknesses**
Opportunities	SO strategies	WO
Threats	ST	WT

Source: Dyson (2004)

A resource-based view (RBV) is a model that recognizes organizational resources as an effective driver for improving performance and achieving competitive advantage. It was noted by Othman *et al.* (2015) that a resource-based view, views an organization’s resources as a fundamental factor that affects the competitive advantage and performance. According to Ismail (2012), the company’s progress and development will automatically reflect on its resources. The supporters of RBV believe that organizations should search within the organization to find the source that contributes to the creation of competitive advantage (Fiol, 2001). To illustrate the construction and work of the resource-based view, the researcher presents the following figure.

Figure-1. Resource-based view (RBV)



Source: Jurevicius (2013)

VRIO attributes mean that resources must be:
- Valuable
- Rare
- Costly to Imitate
- Organized to Capture Value

The related literature has indicated in more than one study that the company's exploitation of external opportunities through its available resources was more beneficial than acquiring appropriate skills for each opportunity (Choi and Shepherd, 2004; Park and Chen, 2002; Rothoermel, 2012).

Figure 1 above shows two types of organizational assets: tangible and intangible. Tangible assets are financial resources and other capital-based resources that are controlled by the organization because they are physical and visible property. These include land, buildings, machinery, and equipment, and capital assets that can be purchased from the market. This makes it easy for rivals to acquire them, making them less useful to the organization in the long run (Allee, 2008). Intangible assets are nonphysical assets. These include patents and good-will, relationships, employees' knowledge, and competencies, the effectiveness of the organization's work groups, the quality of the organization's products and services, and the level of trust between the organization and people (Eccles *et al.*, 2001). Such assets are not available to be purchased in the marketplace but they have been built by the organization (Jurevicius, 2013).

To conduct an RBV analysis the following managerial tasks are important:

1. Identify the organization's potential key resources.
2. Evaluate whether these selected resources satisfy the VRIN criteria.

The VIRN criteria represent the characteristics of resources that can contribute to achieving a competitive advantage in terms of:

- Valuable: such a feature gives the selected resource the ability to be accepted by the organization in the implementation of strategies that improve the efficiency and effectiveness of the organization.
- Rare: means that the selected resource is scarce and not available for competitors.
- Imperfectly imitable: not easily implemented by others.
- Non-substitutable: cannot be replaced by some other non-rare resource.

3- Develop nature and protect resources that pass these evaluations (Lowson, 2003).

The researcher believes that the employment of intangible assets is most likely to be used by companies to achieve a competitive advantage. Almarai Saudi Arabia has achieved this by providing high-quality food products acceptable to customers in several countries including six Gulf Countries, as well as Jordan, Yemen, Lebanon, Egypt, Algeria, and Morocco. The company's strategy in this regard has relied on some tangible assets and some intangible assets (Shahbaz *et al.*, 2018a).

The following are the tangible assets:
- Modern cattle farms and a good breed of cattle.
- Large tracts of land and farms to produce vegetables, fruits and cattle feed in several locations.
- 1000 conditioned vehicles for transportation.

For intangible assets, the company relied heavily on its human capital in terms of efficiency and advanced skills to maintain good relationships with customers, in addition to the reputation and goodwill of the company (Rehman *et al.*, 2018).

4. Importance of Strategic Planning

The importance of strategic planning has been widely debated among researchers and practitioners, Phillips and Moutinho (2000), have attributed its importance to its effects on financial performance. Others (Ramesh, 2010), stated that the strategic planning process leads the decision-makers in an organization to take decisive rational decisions (Shahbaz *et al.*, 2018c; Shahbaz *et al.*, 2018b). Rigby *et al.* (2013), pointed out that formal strategic planning is the key factor to achieve profitable growth and cost reduction. While Asad *et al.* (2019) summarized the importance of strategic planning as follows:

- Strategic planning is an effective way that considers the firm as a system and thus prevents improvement of the parts of the system at the expense of the whole system.
- Strategic planning enhances the development of appropriate organizational aims, which can be seen as powerful motivators to employees. This, from the researcher's point of view, will reflect on higher productivity, actual commitment, and employee retention.
- Strategic planning provides fairness in the decision-making process, where each managerial level knows his authority and responsibility in decision-making, and this leads to eliminating managerial conflict.
- Strategic planning provides the best manner for exercising the other managerial functions, such as organizing control, performance measurement, employees' appraisals, and others.
- Strategic planning organizes the firm's relationships with inside stakeholders and outside stakeholders.
- Strategic planning gives the company information about its competitors (Fred, 2011).

Other authors have focused on the relationship between strategic planning and the organization's objectives (Shahbaz *et al.*, 2019). In this regard, Rakiman *et al.* (2018) pointed out that strategic planning enables the organization to determine its future direction, in terms of follow-up, conservative policy or a policy of dumping or flexibility, in addition to measurable goals. While Tapinons (2005) stated that strategic planning provides five benefits to the organization:

1. Strategic planning makes the organization proactive not reactive.
2. It guides the organization to identify its direction.
3. By strategic planning, organizations can increase operational efficiency.
4. It helps the organization to widen its market share.
5. Strategic planning is more likely to make the organization more durable.

5. Conclusion

It can be concluded that it becomes necessary for organizations to prepare their financial or non-financial resources as a success instigator, mainly, the tangible assets that can produce high-quality products and human resources and can attract potential customers to achieve competitive advantage. Hence, the ultimate finding articulates that using strategic planning through a resource-based view is the key to success. Finally, although strategic planning using the resource-based view enables the organization to achieve their goals, some organizations may face failure because they may put in place a plan but without preparing their resources for the plan's implementation.

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