Modelling Strategic Planning, Transformational Leadership and Organizational Performance: The Integration of Strategic Management Theories

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INTRODUCTION

Globalization, changing customer, ever increasing product market competition, supply and demand matching are among characteristics of current rapid change of economic environment. In order to compete successfully in this kind of environment, organizations need to continuously improve their performance on aspects such as reducing cost, increase productivity, efficiency, quality of service, information technology system and supporting system as well as non financial aspects (Samad, 2013a). Samad (2012a) suggested that a proper strategic management will help organizations achieve their goals. This is because according to David (2012) strategic management focuses on integrating key organizational management functions such as marketing, finance, operations, research and development, and computer information systems that are important to achieve organizational goals and success. It is supported by Samad et al. (2014) which highlighted that strategic management is an ongoing process that evaluates and controls the business and the industries of a company, assesses its competitors, set goals and strategies to face with their competitors. According to David (2012) strategic management is synonym with strategic planning in which the former is used in academia and the later in business context. David (2012) also refers strategic management to strategy formulation, implementation and evaluation. Strategic management or planning is important as it influences the high profitability and performance in organization (David, 2012). Despite various models of strategic management or strategic planning there is no best model is able to solve problem related to organizational performance (Samad et al., 2013). As a result there has been an increased concerned over the role of strategic management on organizational performance. This paper proposes an enhanced model that relates strategic management or strategic planning (the term used in this paper) with its outcome of organizational performance.

Literature Review:

Strategic planning

According to David (2012) the term of strategic planning has emerged in 1950s and getting popular in mid 1960s to mid 1970s. Accordingly strategic planning was perceived as the most reliable approach to answer some business problems in this era. However in 1980s the term was cast aside as various strategic planning models did not yield higher return until 1990s and onwards which brought the revival of strategic planning. Accordingly
strategic planning process is currently being practiced widely in the business world. Scholars have discussed strategic planning in various perspectives (Pearce et al., 2010), (Church et al., 2008), (Danes et al., 2008), (Yusuf and Saffu, 2009), Saenz (2010) suggested a model which consisted components of: a) strategic planning levels and b) implementation process. Strategic planning level consists of: 1) normative planning, 2) analysis of environment, 3) operative planning budgeting and 4) evaluation and control. Implementation process consists of: 1) Spread vision and mission, 2) Periodical revision of plan and 3) considering amendment.

Despite the various strategic planning models highlighted by scholars, generally they concluded that strategic planning is a process that involves three stages of formulation, implementation and evaluation (Samad, 2011a). Bryson (2010), Samad et al. (2014) stressed that although myriad of strategic planning models available in the literature there is no single strategic planning that seems to fit in every situation and environment. This paper proposes a strategic planning model that combines a model developed by Saenz (2010) as mentioned earlier and a model developed by Robertson (2011) which has proposed component of barriers in strategic planning implementation. The combination of the two models is to formulate a construct of the independent variable that relates to organizational performance. The barriers of strategic planning component is important to be integrated as it is in line with the current situation of organizations that require more sophisticated and comprehensive strategic planning model for their survival and superior performance (Al-Shammari and Hussein, 2007), (Samad, 2011d). In addition despite the strenuous efforts and great works done by organizations, most strategic planning have experienced failure (Eadie, 1983), (Samad, 2011b). This is because despite the weaknesses in strategic planning instrument but also due to some barriers which will effect to the success of strategic planning and organizational performance (Samad, 2010), (Samad and Yusuf, 2014).

Strategic planning can be a valuable instrument if it is applied and implemented properly especially during turbulent environment (Samad, 2012b), (Samad, 2009), (Mintzberg, 1994), (Hart and Banbury, 1994). Eadie (1983) argued that the idea of strategic planning is to continue a favourable balance or alignment or fitness between an organizational strategy and its environmental factors for long run. Butler et al. (2000) and Samad (2007a) identified some barriers of strategic planning such as fear, ignorance, cynicism, personality conflict and a combination of time and place. Okunus (2003), (Samad, 2006b) pointed out that lack of attention from the top level management, absence of motivation, employee well being and an overall organization awareness are among the reasons for the failure or part of barriers of strategic planning. Robertson (2011) suggested a strategic planning barrier which includes aspects of uncertainty, limited resources, low productivity and communication. However according to Samad et al. (2013) although voluminous literature on strategic planning, comparatively less study has been focused on the implementation of the strategic planning once it is developed. This is due to the successful implementation of strategic planning is inextricably related to less considered aspects of barriers like personality, legislation, organizational culture and other organizational factors (Jennings and Disney, 2006), (Samad et al., 2013). Therefore this model integrates element of organizational culture as suggested by Samad et al. (2013) in the model of barrier in strategic planning as developed by Robertson (2011).

In conclusion the proposed model is based on a combination of strategic planning (consists of strategic planning level and implementation) adapted from Saenz (2010) and barriers to strategic planning adapted from Robertson (2011) and Samad et al. (2013). The combination of these variables is proposed as most studies have not integrated the strategic planning and barriers to strategic planning as construct that relate to organizational performance simultaneously. This is a value add to the previous model and a contribution to the existing body of knowledge. Moreover barriers of strategic planning such as organizational strategy and culture related factors are among the issues and problems faced by many business organization that could not be ignored (Samad, 2006b), (Samad, et al., 2014).

**Relationship between Strategic Planning and Organizational Performance:**

In studying or practicing the strategy of organizations according to Barney (2002) it is inadequate if the components and measures of organization performance are not given consideration. Several dimensions and aspects of strategic planning have been related to organizational outcomes such as organizational performance. Kraus et al. (2006) found a significant contribution of strategic planning on organizational performance. There was a significant relationship between strategic planning practices and organizational performance using financial measure in a study by Meers and Robertson (2007), Baker and Leidecker (2001), French et al. (2004), Efendioglu and Karabulut (2010), Hopkins and Hopkins (1997) have also found a significant relationship between strategic planning, responsibility of CEO, physician involvement and organizational performance based on financial aspects.

Al-Shammari and Hussein (2007) have linked strategic planning and organizational performance with indicators of financial performance (return of assets and growth in revenues) and non financial performance (for assessing behavioral aspects in terms of firm adaptability, job satisfaction, attractiveness and retention ability). A study by Yusuf and Saffu (2009) revealed that non-financial performance measures are positive drivers for future organizational performance, providing empirical evidence that non-financial performance measures are better predictors of future organizational performance compared to financial measures. Empirical evidence...
indicated that non-financial performance measures are better predictors for the future organizational performance compared to financial measures (Samad, 2012c). According to Samad (2011e), Samadand Yusuf (2012) the weaknesses of financial performance measures have led to innovations in performance measure ranging from non-financial indicators of intangible assets and intellectual capital to balanced scorecards (an integrated financial and non-financial measures). The previous discussions indicate that organizational performance has been discussed and studied mainly from two main perspectives of financial and non financial.

This paper proposes a model of organizational performance that measures both financial and nonfinancial aspects using the adapted Balanced Scorecard (BSC) model developed by Kaplan and Norton (1992). This model was designed to supplement financial measures with indicators of internal business processes, customer processes, employee growth and learning processes. Van der Stede et al. (2006), (Samad (2006c), (Samad and Yusuf, 2012) found that organizations that used extensive performance measures which include subjective non financial and objective measures have achieved superior performance. Organization that implemented performance measurement from both financial and non financial performance will gain more benefit than relied solely on financial performance measurement (Samad and Yusuf, 2014). Balanced Scorecard’s model (BSC) by Kaplan and Norton support the overall BSC measures on organizational performance (Hoque and James (2000). According to Kaplan and Norton (2010), measures of BSC reflect the organization’s changing business environment as well as the achievement of its goals. Further BSC serves as a framework for describing value-creating strategies that relate to tangible and intangible resources (Samad, 2013b), (Samad, 2007b). The reason of using BSC is that it could work well in most organization as it measures both financial and nonfinancial aspects which will provide an overview of organizational performance and promote effective decision making and continuous improvement (Al-eqtisadiah, 2012), (Samad, 2011a). David (2012) and Samad et al. (2014) suggested that organizational performance would not yield superior return without proper and good strategic planning. This implies that organizational performance depends on various vital factors and one of them is strategic planning.

**Role of Leadership in moderating the Relationship between Strategic Planning and Organizational Performance:**

Literature revealed that previous studies have been focusing on the linear relationship between strategic planning and organization performance. Further, despite the large number of studies investigating this relationship, the results have been inconclusive, with findings ranging from positive relationships to no relationships and negative relationships (Bobek and Stojan 2012). Literature has revealed that the linear relationship between strategic planning and organizational performance has not consistently provides a significant effect. Sherman et al. (2005) Samad et al (2014) have suggested that to strengthen the relationship between strategic planning and organizational performance some variables have to be integrated. These variables include personality, organizational culture, values, ethics, organizational contextual factors and leadership (Samad2007a). This paper proposes the role of transformational leadership in moderating the relationship between strategic planning and organizational performance. Leadership is defined as a process that involves social changes and persuasion whereby an individual or team convinces a group to achieve objectives laid down by the leader or shared by individual with his followers (Higgs, 2003). Samadet al. (2013) suggested that current organizations need individuals who have leadership skills to encourage and lead others in achieving their highest potential. Leadership style and characteristics have significantly enhanced the efficiency of the strategic planning as well as improvement of the organizational performance (Sherman et al. 2005). Various leadership styles and theories are documented in the literature. One of the well-establish leadership style is the transformational leadership style (Bass and Avolio, 1993). A study is plausible to link transformational leadership on the relationship between strategic planning and organizational performance especially in business organizations (Samad 12a), (Samad et al.,2014). 

The characteristics of transformational leadership are in line with the need of most organizations to improve their performance and the need to have good leadership for impactful organizational changes(Samad et al.,2014), (Sherman et al. (2005), (Al-eqtisadiah, 2012). Bass and Avolio (1993) found that there is a positive impact of transformational leadership on the organizational performance in financial institutions sector. This implies that transformations leadership has improved the relationship between strategic planning and organizational performance and become a key component in strengthening the relationship. This is because transformational leadership inspires followers to exceed expectations in their performance (Bass, 1985). Vance and Larson’s (2002) review of more than 6,000 business articles found that only 5 percent of them have linked leadership with organizational performance. This is supported by the argument that only few researches have investigated the impact of transformational leadership on organizational performance (Bass et al., 2003; Erkutlu, 2008). Several authors have recently highlighted a significant lack of empirical studies that link transformational leadership on organizational outcomes in some developing countries (Samad et el, 2014). This suggests a research that relates to transformational leadership and organizational performance is important and plausible.
This paper therefore proposes the role of transformational leadership on the relationship between strategic planning and organizational performance.

The proposed model:
The model presented was drawn from the previous theory and model of Resource Based View (RBV) and emergent theory or Contingency Theory as well as previous related studies (Figure 1). The RBV suggests that organizational resources both tangible and intangible play important role in gaining competitive advantage and organizational performance (Barney, 1991). Barney (1986) has highlighted that the source of organizations’ competitive advantage depends on their internal resources. This notion is parallel with what has been highlighted by Samad (2011c) and Samad (2006a) that the internal resources of organizations served as important predictors of competitive advantage and superior performance. In this context, some aspects of strategic planning components and elements are perceived as resources that will help to improve organizational performance. Meanwhile, the emergent theory emerged from the premise that no single superb approach can be applied to manage organizations. This implies that managers have to manage organizations based on the situation and condition they are experiencing. In this situation, organizations may think of some alternatives and new approach or emergent theory that is appropriate to the situation of the organization. Emergent theory suggests that the patterns that develop in organizations based on its past actions will influence its ability to craft strategy for the future (Mintzberg, 1987). The uncertainty situation for example will allow organizations to decide the suitable or appropriate strategy in order to improve the performance. Scholars have suggested that emergent theory is multicultural, multidisciplinary and multi-contextual (Samad, 2011c, 2005). This approach is perceived as justified to explain the research problem mainly on performance of organization. Based on these theories and previous research findings pertaining to the relationship of strategic planning and the outcome variables, this present model proposes: there will be a relationship between strategic planning and organizational performance; strategic planning will contribute to organizational performance and transformational leadership will affect the relationship between strategic planning and organizational performance as depicted in Figure 1.

![Fig. 1: Effect of transformational leadership on strategic planning and organizational performance relationship](image-url)

**Conclusion:**
This model proposes that 1) strategic planning is related to organizational performance; 2) strategic planning plays key role in influencing organizational performance and 3) transformational leadership serves as important role in moderating the relationship between strategic planning and organizational performance. According to this model, there is a need to pay attention to the interface of strategic planning and organizational performance, which could result to the success or failure of strategic planning and the negative consequences on its outcomes arising from the failure or weak influence of strategic planning on organizational performance. The model is appropriate to be applied in any settings including in public sectors such as in hospitals, airports and business organizations.

**REFERENCES**


