

THE IMPACT OF STRATEGIC PLANNING ON BUSINESS PERFORMANCE EVIDENCE FROM SAUDI ARABIA

Majed A. Al Abdulkareem, Imam Muhammad bin Saud Islamic University

ABSTRACT

This study aims to determine the effect of strategic planning on the business performance as well as investigating the statistical differences in the research variables according to some organizational factors. The study population consists of two parts, the first represents the service organizations in Saudi Arabia reach 206 in 2019, and the second is the regular customers of surveyed organizations in Riyadh city reach 8 million in 2019. The full survey and the purposive proportional sampling techniques are used respectively. The response rate of surveyed organizations reach 64.5% of total organizations, while the sample size of customers is 1500 and 97.5% of total distributed questionnaires are returned. The descriptive methodology is used and the questionnaire is the research tool to collect the primary data. The study concludes that there is a statistically significant effect of the strategic planning in the business performance. The study concludes that there are a significant statistical differences in the strategic planning according top the type of company and these difference to the listed companies in the stock market. Finally, the study suggests some recommendations that enhance the strategic planning in such surveyed organizations particularly and the Saudi organizations in general.

Keywords: Financial Integration, Financial Coordination, Business Performance, Competitive Advantage, Service Sector, KSA.

INTRODUCTION

The Strategic Planning is a key tool of the for the growth and development of the organization and to face competition, as well as make the planned goals. Strategic Planning is not accidental but it is a permanent continuous process in the organizations. The Strategic Planning would raise the forecasting capabilities, risk assessing, and controlling the new changes, may happen in the future, and cut the fluctuations, shocks, and crises threatening the organization and its performance. The planning process is crucial in the intentional context, but still under the expectations in the local context (Thamer, 2017).

The Strategic departments are responsible for activities and the challenges that facing Planning are increasingly significant in the time that such activities are fragmented and the planning process is not clear. In conclusion, the goals are different and contradicted, so the intervention by the top management among Business units required to plan becomes urgent, as well as complexity and the controlling of the communicative process. The great desire of success is a function of the integration and coordination. The need of Integrated strategic planning and harmonization among Strategic Planning activities becomes a sensitive and important (Lendrevie & Brochand, 2001).

Therefore, integration in planning at the financial level as well. An opportunity to create a positive performance of businesses, and it is more useful in the Strategic Planning field. This is a key factor of unifying all efforts and resources of organizations such as the human, financial, technical, and logistics resources. The harmonization ensures the compatible between the operational strategies and the planned financial goal. The Integrated strategic planning is a tool helps the managers in coordination and interaction among the parts, activities, and units in the organization (Polisetty, 2016). This massive need for Integrated strategic planning is a tool of modernization and upgrading the process of work to be with the new Strategic dep trends worldwide, and there for most of large companies looking for the integration in the Strategic Planning as an effective, sufficient and continuous process model.

The integration in the Strategic Planning has become a sufficient condition for coordination in activities, especially in the financial issues which consider the skeleton of good performance in the managerial functions such as administrative, finance, human resources and Strategic dep. Under the financial integration, the business be able to good allocating of financial resources, reducing the money loses, cutting the frequent expenditures, and in the results, the money deficit at the minimum level can occurred (Aalaq, 2008).

Finally, the wide and quick applying the policies that support the integration and coordination among Strategic dep activities within the financial planning is an quite step to achieve the planned goals. This integration is a sign and implication for the successful organizations. (Alrobaeae et al., 2015). This consistency among plans, stuff, and resources is the best way to achieve the competitive position, therefore, in this study, we decide that Integrated strategic planning may be the best way to achieve this advantage.

LITERATURE REVIEW

The financial planning of all activities and functions in the organization is one of the most important steps in implementing the planned targets, and the main engine to better implementing (Tunji, 2013). The financial planning considers as a key tool of professional management to achieve the targeted goals, through multi-functions of the planning process such as coordination, evaluation, control. The regular situation in strategic Strategic is the budgeting process and allocations among Strategic Planning functions. Thus, it is based on assumption says that the strategic Strategic Plannings and the planning process are controller factors in the plan and the main constraint is the financial resources and the way of allocating. The starting point in the planning process is a necessary condition to harmonization and consistency among parts of the organization.

At the level of Strategic Planning, the importance of financial coordination sufficiently increased in theoretical and professional aspects and the increased growth in the communication field is significant, and it is a new trend coming with the new concept of integration in the financial plan of Strategic Planning tools. There are many advantages for that such as decreasing the frequent spending, unifying the financial needs for all Strategic dep functions, financing all shared communication programs, allocating the financial resources to support the targeted activities, and finally upgrading the polices and trends in the businesses to encourage the integration in Strategic Planning tools (Aalaq, 2008).

Therefore, the coordination is one of the most important pillars of the financial planning process, and requires clear communication channels that create a media system based on the coordination and regular meetings in the organization to discuss the issues and

problems faced the organization such as the number of employees, goals, resources, and timelines, in addition to determining the financial needs. The financial plan is based on assumptions that justify it (Shim & Siegel, 2005).

The most important advantage of coordination function is developing the communication competencies and capabilities of the systems. This will be easy if the financial vision of team has shown during the coordinating process, and how can take a place in all parts of the organization (IBM, 2015). The lack of resources in poor parts may be more clear for decision-makers and the bad interrelationships among other activities are reasons for quick intervention by the management team (Polisetty, 2016).

The Integrated Strategic Planning and Business Performance

The rapid changes in the businesses' environment and the hyper-competitive and anxious environments are necessary factors for organizations to be entrepreneurs and monopolist (Lee & Kotler, 2016). The other organizations were not able to avoid the hyper-competition may find themselves looking for competitive features enabling them in the target market.

The researcher has shown the importance of competitive advantage for businesses. Michael Porter is the famous researcher in this field and he says the competition is the core and key of success or failure of any organization, so the organization's strategy must be based mainly on the competitive advantage that improves the level of performance. Maximizing profitability, increasing the market share, improving the competitive are measures of business performance.

These efforts were the beginning of the formation of the relationship between performance and competitive advantage, as outstanding performance leads to the organization's achievement of a competitive advantage that is unique to it, and to understand this concept it is necessary to liberate the term competitive advantage through the multiple viewpoints presented by researchers in this field, as described as the characteristic that distinguishes the organization from other competing organizations, and achieves a strong attitude towards various different parties. Competitive advantage has also been expressed as the ability to establish and maintain a defensive position against competitors.

The current study confirms the business performance is a feature known in the market, superior distinctive sign distinguishes it from the competitors. The Strategic dep strategy is a functional task of Strategic dep management and one of the Strategic dep strategy types of the organization includes sequential steps, aims at estimating the amounts of money for each communication tool (Kotler, 2009).

The new trends in financial estimation and integration become a critical and urgent than traditional estimation. The traditional way depends on subjective methods in aggregating the financial figures with no compatibility with real financial needs (Hamad, 2010). Meanwhile, the modern measures depend on the polices and properties that lead to a competitive advantage. These measures can merge all parts of the business with each other, continuous reviewing of financial estimations, achieving compatibility and coordination between the economic resources, and reducing the extreme in estimations and allocating the financial resources.

The creativity and efficiency in preparing the financial plan depends on the financial team abilities and skills, in managing all parts of the organization at the lower cost and greatest coordination. These features can cut the financial loses and wasted money in targeted

activities, which ensures optimal use of resources (Assey, 2014). The studies confirm that the effective coordination process implies the monitoring on the performance, as the final tangible outcome of the financial team. In (Masakala et al., 2017) have shown that a positive relationship between communication and coordination within the financial planning process, and the financial performance is measured by profitability, growth and liquidity.

The study confirmed the statistically significant correlation between integration and the business performance measured by the rate of return ROI on shareholders' equity, as well as the non-financial measures such as the competition, and the study concludes that completion is the result of all measures despite the lack of uses by financial researchers. Meanwhile, the Strategic dep researchers have a strong background about the importance of competitive advantage, and the other study decides the statistical effect of the promotional mix on the competitive advantage of the medicine industry in Iraq.

Four dimensions of competitive advantage to measure the performance and his study finds that there is an effective role of Integrated strategic planning and allocating the financial resources among Strategic Planning tools, and the cost of Strategic Planning can be controlled, and equally distributed of financial resources among the Strategic Planning tools are the engine and key element to achieving the competitive advantage (Awwad et al, 2013).

Finally, there a small group of researchers who have examined the effect of integrated strategic planning and coordination in allocating the financial resources on Strategic Planning tools, and later on how this will affect the business performance. The current research aims to decrease the practical theoretical gap, by resolving the effect of the integration and coordination from the financial perspective on the business performance of the service sector in Saudi Arabia.

RESEARCH METHODOLOGY

The Pilot Study

In order to find the number of accrued variables and the form of writing the sentences of questioners, as well as the internal consistency among such variables, the pilot study is conducted. This study consists of a sample of respondents reach 20 organization and 146 customers or 15% of the population. The social platforms "Twitter, Instagram and Snapchat" and smart applications are used to conduct this study. The study presents some results that support the study literature and goals.

Research Population

There are two sub populations The Organizations: it consists of the organizations working in the service organizations in the Saudi Arabia reaches 206 organizations in 2019. The selected organizations are included in the General Agreement of Trade and tariff (GATTS) in the service sector. There are ten sub-sectors included retailing, education, tourism, telecommunications, transportation, electricity, health, banking, and sports. This data collected from this population related to the dependent variable (The financial integration).

The customers: It consists of the regular customers of the surveyed organizations working in Riyadh. The total population of Riyadh reaches 8.1 million in 2019 (General

Authority of Statistics). The sample focuses on the customers over 19 years old, so this age group has 39% of the total population in this study reach 3159245 persons.

The Sampling Technique

There are two sub samples : The Organizations: it consists of all services organizations working in the service sector in Riyadh city, and the full survey is used. There are many difficulties facing the researcher to collect the needed data from the targeted population. The limited access to the organizations is the main difficulty, so the sample size decreased to 133 organizations or 62.6% of the population. All such organizations are the organizations that provided the needed data to the analysis. The unit of analysis in this sample is the Strategic dep and sales managers or any representative able to answer the study questions.

The Customers: the purposive proportional sample method is used. The sample size reaches 1500 customers and the 37 questionnaires are uncompleted and missing information, so the response rate reaches 97.5% or 1463 from the total sample. Face to face method is used to distribute the questioners.

Measurement

The measurement tool is the questionnaire and it is designed to collect the primary data necessary for research goals. The questionnaire is developed by reviewing previous studies and literature.

The five points Likert scale is used for the two variables of brand enhancement and buying the brand. This measure expresses the degree of consistency among the statements and the responses. The value (5) is given for very high response, (4) is a high response, (3) is given for neutral response, a low response is given for the value (2), and the value (1) is given for very low response.

DATA ANALYSIS

In order to analyze the research results, the descriptive statistical analysis (arithmetic mean, standard deviation, and relative frequencies) is calculated. The response degree of the variables is measured by the relative mean as follows: more than 4.2 is very high, (2) 4.2 – more than 3.4 is high, (3) 3.4- more than 2.6 is average (moderate), (4) 2.6 – 1.8 is weak, and less than 1.8 is very weak. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It considers a measure of reliability as well. Cronbach's alpha is not a statistical test, so it is a coefficient of reliability (or internal consistency). The Cronbach alpha coefficients of the tow research variables are between 0.692 and 0.814. This means that the two variables have relatively accepted. Internal consistency (reliability) of the two variables is statistically accepted since it is more than the statically permitted rate of 60%. Cronbach's alpha of the total questionnaire is 0.789. It is also statistically accepted. On the other hand, the normal distribution test is measured by the Kolmogorov-Smirnov K-S test. The statistical rule states that the data are normally distributed in the levels of significantly less than 5%.

The other details, using the correlation matrix and the Pearson correlation coefficient to decide the correlation among the independent variable in the sub dependent variables. The

results show that the statistical relationship between integrated strategic planning and the delivery dimension is approved. Meanwhile, there is no statistical correlation among Integrated strategic planning with quality, cost, and flexibility. So the source of competition of Saudi service organizations is the delivery dimension which focuses on reducing the time and speed of designing and offering the new products to the customers.

Testing this hypothesis using the analysis of variance, the t-test is used for variables that have only two choices of answers. The percent of ownership in the capital and this factor determine the shape of ownership if the organization governmentally owned or fully private. The other factor is the difference between the listed and non-listed organizations in the stock market. The significant level of the shape of ownership (0.519) is greater than 5%, so there are no statistical differences in integrated strategic planning between the listed and non-listed companies in the stock market. Meanwhile, the statistical rule says if the significance level less than 5%. According to the results in table 5, we can accept the differences in the financial integration according to the type of organization (listed or not listed in the stock market). The significance level of the t-test is less than 5%, so there are statistical variations in the Integrated strategic planning differs between the listed and non-listed organization in the stock market. It is expected that listed organizations have a higher level of Integrated strategic planning than a non-listed organization by using the schffee coefficient. This result explained by the listed organizations may have a high level of financial control and auditing. The organizational structure is well organized and the corporate governance is compulsory to practice, as well there is more accountability by the stock market, the auditing team, and the users of financial reports. The lack of integration may decrease the trust level in such organizations.

The global financial crisis in 2007 and changes in the global economy have imposed more constraints on companies. The financial issues become critical and the way of allocating the financial resources among different parts of the organization is very promising. The financial controlling is the key factor of financial integration, and this will reduce the various costs in the production and Strategic dep, and may avoid the company the failure (Becker et al., 2015, p.1). The listed organizations in the stock market are financially integrated than other organizations. In (Joshi et al., 2003) conclude that there are differences between listed and non-listed companies.

DISCUSSION AND RECOMMENDATION

The integrated strategic planning in the surveyed organizations has a high-level degree in the practice. The Strategic dep departments in the surveyed organizations are increasingly interested in the planning function and the high ability to more integrate and coordinate among communicative tools. This result is consistent with the previous studies.

Otherwise, our results show that a number of organizations are interested in the integration and coordination among Strategic Planning activities, in spite of the overall integration in the organization is increased. This contradiction in the two previous results, the surveyed organizations assumes that Integrated strategic planning and coordination among organizational parts and units don't require the high commitment by the committee, and sometimes, the organizations may delegate the integration and coordination responsibilities to the Strategic dep staff, so no written rule no documented obligations.

The results also show a low response of the surveyed organizations toward the coordination in allocating the financial need for a particular communicative activity with

another. The Integration among such activities may unify all part of promotion tools in one. The harmonization in the targeted goals, unifying the promotional efforts, easing the measurement and cut the failure, maximizing the Strategic dep priorities, reducing the wasted money within the Strategic dep cycle, and supporting the Strategic dep tools in the promotion program. These factors are benefits of integrated strategic planning and the best cure for scarcity problem. This study confirms that integrated strategic planning is an informal theoretical process in the surveyed organizations, and there is a problem in practice. The difficulties facing the practice are lack of flexibility, the big financial benefits of controlling committees, lack of qualified people in the field of financial marketers (Khan, 2007)

The results also show the big differences between the listed and non-listed organizations. The Saudi capital market regulations impose a high degree of disclosure and commitment to the listed organizations. So the financial results of the listed organizations should show such regulations. The listed organization have more accountability, corporate governance, and commitment to the basis of Integrated strategic planning (coordination). Meanwhile, there is no significant differences between the public or private-owned companies in the Saudi market. There are no significant statistical differences between the partially and totally owned companies by the Saudi government. All of them have the same degree of integrated strategic planning and coordination.

The other results show the significant statistical correlation between integrated strategic planning with the competitive advantage dimensions. The delivery is the only statistically correlated with the financial integration, meanwhile, there are no statistically significant correlations with other dimensions. The arithmetic mean of the quality dimension is the highest among the other dimensions and this a positive index of the surveyed organizations. The GATT and WTO are parties encourage the free markets worldwide, and such the level of quality is the best complete based strategy, this result is consistent with the study, but the study of (Fahd, 2019) have statistical evidence that the relationship between the competitive advantage and quality is very low. The service providers in the Saudi market can fulfill the customers' expectations and this positive indicator for the quality gap in the market. Public-owned organizations can measure customer satisfaction accurately. The customer is engaged in developing new products (services). The Saudi service organizations make the services provided more tangible, reliable, and perishable, this boom in defining the service concept improves customer satisfaction. The surveyed organizations have preventive, not curative solutions to resolve the problems and challenges. This approach is highly dependent on high skills and strengthens the CRM and CEM strategies (Sugiyarti, 2018).

The study concludes the level of flexibility is high. There is no doubt that the surveyed organizations have a power of modification and changing the products and there rapid response to the variations in the customers' preferences and tastes, especially in a highly uncontrolled environment (Al-bstanji, 2014). This dimension confirms the ability of employees to meet customer expectations. Effective and good recruiting improves the level of flexibility. The person itself, the work procedures are crucial elements to get this flexibility. Any variation in the performance will destroy flexibility. This result is consistent with the study, but Fahd finds the low rates of flexibility. Most times, there are difficulties facing organizations to improve the flexibility in the short run especially in the service sector. The lack of technical, financial, and human resources are the main reasons for that.

The study results add that the delivery dimension has a high degree of response, and this is consistent with Fahd, meanwhile, the study of concludes the moderated level. The

high perception of surveyed organizations with the time cause will improve the performance. The increase in delivery means better time management and one of the main non-price tools in the competitive market. Our study has no evidence about the effectiveness of delivery in the Saudi organizations. The timely production and distribution are key factors in competition, and with no delivery means more losses of the organizations and has a negative impact on the competitive advantage. Modernizing and upgrading the system in the organization is the best way for very good delivery.

Finally, the cost dimension is a very important dimension in all surveyed organizations. The Strategic dep strategy of Kotler based on three-dimension. Cost leadership is one of the key performance indicators. Time management is one of the important price tools in the competitive market and it the source of differentiation to cut costs. The earlier studies have an evidence about the high importance of this dimension in formulating the competitive advantage. Sometimes, the organization makes discounts and offers on the products produced without any ability to sell at reduced prices. There is a package of services provided with the core product and online purchasing is an effective way to cut the cost. The reduced cost is the main source of competitive advantage in this study, and such prices enable the customers to fulfill their needs inconsistent with the financial capabilities and purchasing power, and thus the customer loyalty and are increased.

This study recommends increasing the organizations' interest in supporting the concept of Integrated strategic planning and the need for coordination, communication and thinking in a common financial vision with human capabilities having this pattern of thinking and developing Strategic dep and financial measures directed to achieve this goal.

Make KPIs Some of it measures the Integrated strategic planning of sub-activities which ensures compliance with this concept As a principle and adopting a method of work, it helps reduce the lack of interest in that, and raises the seriousness of it.

Increase the level of integration and create flexibility between activities It makes them accept to leave their financial allocations to support another activity or merge what they need in a common communication program for all activities.

Focusing on cost strategy, giving it more importance as an important dimension of competitive advantage and activating price competition and not moving away from it the Find preventive strategies that limit the recurrence of the same mistakes that occurred in the past or problems that occur during service provision and warn of them in the future

CONCLUSION

Integrated strategic planning helps the organization achieve its goals and maintain the profitability rates, The profit is not only creating by the revenues, but also from Distinctive strategic planning skills The Integrated strategic planning increase the profitability levels of organizations, and this is the core goal of financial managers and top management as well. The Integrated strategic planning make a connection among all parties in the organization, and develops Business unit activities and understanding each other

This integration provide a deep understanding of Strategic dep goals, , the financial resources, and the market segments. The Integrated strategic planning is a tool compatible with the top management objectives.

REFERENCES

- Al-Bstani, G. (2014). The effect of using the service Strategic dep mix of an Islamic nature on building competitive advantage in the Saudi Telecom Organization. *Journal of Human and Social Sciences*, Imam Muhammad bin Saud University, (31), 191-234.
- Alrobaeae, S., Abbas, H., Al- Omari, S., and Al-Zubaidi, S. (2015). *Strategic dep Management - Contemporary Foundations and Concepts*. Oman: Ghaidaa Publishing.
- Assey, D. D. (2014). Effectiveness of budgeting process in achieving organization goals: The case of TEMESA (HQ). (Doctoral dissertation, The Open University of Tanzania).
- Awwad, A., Al Khattab, A., & Anchor, J. R. (2010). Competitive priorities and competitive advantage in Jordanian manufacturing. *Journal of Service Science and Management*.
- Becker, S. D., Mahlendorf, M. D., Schäffer, U., & Thaten, M. (2016). Budgeting in times of economic crisis. *Contemporary Accounting Research*, 33(4), 1489-1517.
- Fahd, K. (2019). The Role of Promotional Mix Elements in Enhancing Competitive Advantage, *Iraqi Journal of Market Research and Consumer Protection*, 11 (1), 48-64.
- Hamad, T. (2010). *Estimated Budgets an Integrated View*. Edition2, Alexandria: University House.
- IBM Institute for Business Value. (2015). *Redefining Performance*. USA: IBV.
- Joshi, P. L., Al-Mudhaki, J., & Bremser, W. G. (2003). Corporate budget planning, control and performance evaluation in Bahrain. *Managerial Auditing Journal*, 18(9), 737-750.
- Khan, M. A. (2007). *Consumer behaviour and advertising management*. *New Age International*.
- Kotler, Philip (2009). *How to Establish, Conquer and Control Markets*, edition 8, Riyadh, Jarir Library.
- Lee, N & Kotler, P. (2016). *Social Strategic dep : Changing Behaviors for Good*. *Sage publications*.
- Lendrevie, J., and Brochand, b. (2001). *Publicitor*, 5th édition, paris :Dalloz.
- Masakala, C., Omol, E., Wauyo, F., & Okumu, J. (2017). The role of budgeting process in financial performance: A case study of Bugisu Cooperative Union ltd Mbale, Uganda. *American Journal of Finance*, 1(5), 31-48.
- Polisetty, A. (2016). The impact of budgeting on the performance: A case study of Maha Cements. *Asian Journal of Management Research*, 7(2), 98-103.
- Shim, J., and Siegel, J. (2005). *Budgeting Basics and Beyond*. 2nd edition. Canada: John Wiley & Sons, Inc.
- Sugiyarti, G. (2018). Product competitive advantage antecedent for successful marketing performance. *Scholars Journal of Economics, Business and Management*, 5(10), 893-903.
- Thamer, k., (2017). Planning MC policies in electronics producing enterprises. *Amarabac Journal of the American Academy of Science and Technology*, 8(24), 19-30.
- Siyanbola, T. T., & Remo, I. (2013). The impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria. *J Bus Manag Soc Sci Res*, 2(12), 8-16.

Received: 03-Apr-2024 Manuscript No. JMIDS-24-15124; **Editor assigned:** 04-Apr-2024 Pre QC No. JMIDS-24-15124 (PQ); **Reviewed:** 15-Apr-2024 QC No. JMIDS-24-15124; **Revised:** 22-Apr-2024 Manuscript No. JMIDS-24-15124 (R); **Published:** 30-Apr-2024