

Significance of Strategic Planning and Implementation for An Organizational Profitability

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Abstract

Strategic planning refers to those process that involves several steps that are required for developing different strategies. These strategies are mainly focused on increasing overall profitability by achieving goals and objectives. During the global pandemic, each sector has faced a serious issue of maintaining the profit margin. However, applying effective strategies such as implementing work from home and making each activity digitalize helps to maintain profits. The article follows the secondary qualitative method to provide a better understanding of the topic. Herzberg's two-factor theory also highlights two key elements that are essential in enhancing profitability.

Keywords: Organizational performance, strategic planning, pandemic, organizational profitability, leadership, advanced technology

Introduction

Strategic planning refers to all approaches used for improving the overall profitability and performance of firms. Profitability is a crucial factor in companies measured by the inflow of cash and total revenue for staying in the competitive marketplace. Strategies are developed to overcome critical issues faced by companies and improve the performance level which is mentioned here in a detailed manner. For providing a basic guideline during the conduction of the research, research questions and objectives are developed and jotted here.

Research objectives

The research objectives are provided below:

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- To analyze the concept of *strategic planning* in an organizational platform
- To identify the *implementation of strategic planning* in organizations' work atmosphere
- To understand the significant *role of strategic planning* in improving *organizational profitability*
- To highlight other *influential factors* that enhance *organizational profitability*

Research questions

The research questions are mentioned below:

RQ1: What is the concept of *strategic planning* in an organizational platform?

RQ2: In which ways does the *implementation of strategic planning* in an organization's work atmosphere take place?

RQ3: In what ways does *strategic planning* influence the improvement of *organizational profitability*?

RQ4: Which *factors* play a vital role in enhancing *organizational profitability*?

Background

The concept of strategic planning refers to those processes which are developed for increasing the probability of having a large number of profits by mitigating all types of risk. As per the comment of AIQershi (2021), the purpose of having a strategic planning department in organizations is to mitigate all negative factors and magnify the positive ones for staying in the competitive marketplace. Hence, strategic plannings have the main focus on amplifying the organizational profit by improving employees' performance level, customer and workers satisfaction level, and increasing sales. However, during the global pandemic, due to the economic shutdown, companies faced several issues to maintain the profit margin. In order to improving the situation different types of strategies are developed and implemented in the work environment.

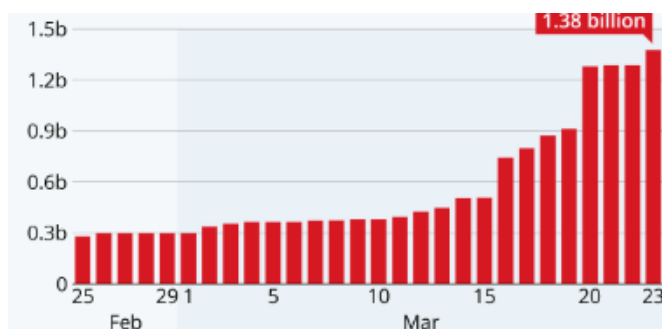


Figure 1: Strategies followed during the Covid-19 situation to maintain profitability
(Source: AIQershi, 2021)

The above figure 1 illustrates the different strategies followed by industries for maintaining organizational profitability. As per the statement of Teixeira & Junior (2019), introducing *work from home* is one of the major steps taken by companies followed by making each sector and activity *digitalized*. Furthermore, for improving the situation and profits, companies take over such strategies where *virtual selling* is involved. Moreover, for increasing the staff's number and productivity, different safety guards are maintained. One of the main driving forces of organizational profitability is having a *large customer base* which was affected during the pandemic situation. Strategic planning helps in developing new promotional strategies for grabbing attention from audiences and increasing sales and profits.

Literature Review

Introduction

Strategic planning is a crucial component in a firm for maintaining and enhancing organizational profitability and helps firms to have a competitive advantage. The concept of strategic planning and its role in a firm's work environment is provided here. A brief description of the influence of strategic planning and other important factors on organizational profitability is jotted down. For giving a better understanding of the connection between strategic planning and profits, a theory is provided.

Concept of Strategic planning and its role

Strategic planning refers to the process in which leaders and higher authorities define strategies for achieving the goals and objectives of companies. The strategic planning process involves mainly five steps which are **determining the strategic position, prioritizing objectives, designing and developing a strategic plan, executing the plan, and monitoring the outcome**. The strategic plans have faced changes in the post-pandemic situation for improving organizational profitability. As per the statement of Teixeira & Junior (2019), strategic planning in a post-pandemic situation mainly focuses on increasing the number of customers to maintain overall profitability.

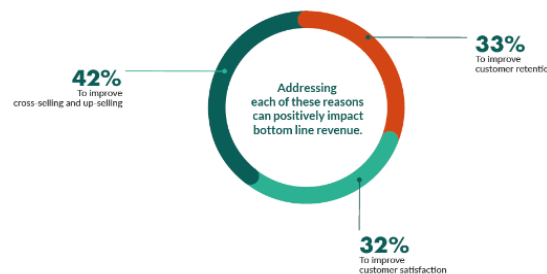


Figure 2: Impact of customer-centric strategies on profits
(Source: Fuertes *et al.* 2020)

From the above figure 2, it can be illustrated that the profit of an organization can be raised by 33% after implementing customer retention strategies which helps increase customer engagement. As per the words of Gagné (2018), by improving customer satisfaction levels, companies can improve their profit by about 32%. However, during the pandemic situation, the strategic approaches are improved by adding some other conditions. Strategic planning understands the importance of digital platforms in grabbing attention from new customers and increasing sales. Moreover, strategic planning helps in boosting revenue and positively impacts organizational profit.

Impact of strategic planning on organizational profitability

Organizational profitability depends on companies' performance level and the economic structure of respective countries. As per the analysis of Fuertes *et al.* (2020), strategic planning focus on mitigating all types of market risks that impact the positive factors and amplify profitability. The overall profitability of sectors is deeply connected with employees' performance levels. Thus, motivating employees and enhancing their performance are required to maintain the profit margin in the competitive marketplace. In addition to that, applying strategic leadership also plays a critical part in enhancing profitability. As per the statement of Teixeira & Junior (2019), this type of leadership helps companies in understanding the requirements of staff and fulfill them which significantly increases the profit margin.

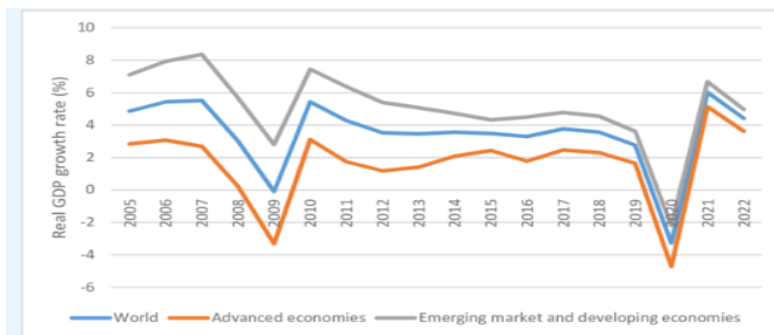


Figure 3: Impact of a pandemic on the economy
(Source: Zhang *et al.* 2019)

In the context of the above figure 3, it can be stated that the global GDP rate hits its lowest point in the year 2020. It negatively impacts the financial structure of organizations. As per the views of Abdel-Basset, Mohamed & Smarandache (2018), due to the economic shutdown, the companies face a huge loss, and to overcome it, firms have followed different types of strategic plans among which *remote work* is crucial. During this condition, the working activities are conducted by employees from their homes, and for this, different technologies were used. However, this type of working condition is not possible for each company and maintains the profit margin, several companies followed the strategies where work can be continued from the office by maintaining the safety guidelines.

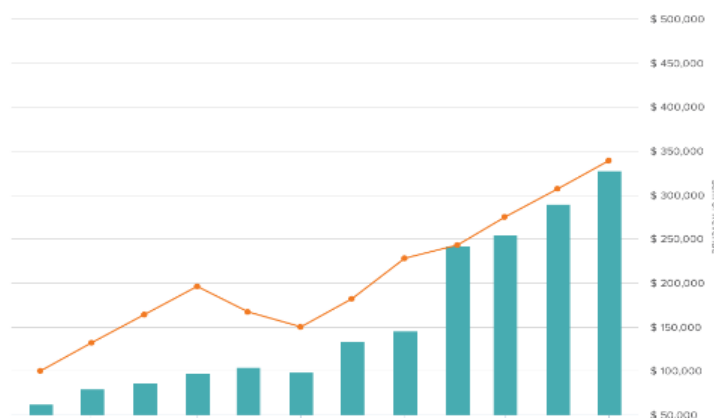


Figure 4: Impact of performance on organizational profit
(Source: Influenced by Gagné, 2018)

The above figure 4 shows that an increasing rate of performance positively impacts profitability. As stated by Zhang *et al.* (2019), to maintain the performance level of organizations, companies need to focus on employees' performance levels. Strategic planning includes several approaches such as the implementation of *reward policies* and incentives improves workers' performance level. Furthermore, the inclusion of digital technologies and training also helps in improving the skills of employees which directly impacts the organizational profit.

Theory

Herzberg's Two-Factor Theory

Herzberg's two-factor theory states that the profits in a company depend on employees' satisfaction level and motivation level. As per the statement of Thant & Chang (2021), increasing the motivation level of employees helps companies to be more productive and improve sales which positively influences profitability. In the context of the theory, it can be

said that companies need to identify the factors that can motivate staff and magnify overall profitability. Companies can motivate an employee by acknowledging their hard work in the firm. Thus, by meeting workers' satisfaction levels firms can stay in the competitive marketplace.

Methodology

The methodology refers to the specific framework that helps to conduct research appropriately. The article follows the secondary qualitative method for completing the research. As per the views of Newman & Gough (2020), the secondary qualitative method is executed by gathering data from pre-existing documents such as articles, books, journals, and many others. Here, four peer-reviewed documents are taken for developing two themes. Qualitative methods themes are significant to provide insight and bring valuable information regarding the topic (Zangirolami-Raimundo, Echeimberg & Leone, 2018). This method takes less time as compared to other methods and is cost-effective which makes this process more efficient.

Result

Quality review

Table 1: *Quality review*

Authors	Study design	Number of resources	Measured outcomes	Result	Quality review
Kowo & Akinbolu, 2019	Primary quantitative analysis	22	The measured outcomes are to highlight the influence of strategic leadership on organizational performance and profitability	The result shows that organizational profitability and performance depend on the investment in strategic leadership practices	High
Salloun <i>et al.</i> , 2021	Primary quantitative method	17	The aim of this paper is to examine the influence of the involvement of technological opportunities in increasing organizational profitability	The outcome highlights that the use of advanced technology significantly rises the graph of the overall profitability of firms	Moderate
Camilleri, 2018	Secondary qualitative analysis	15	The purpose of this study is to evaluate the role of strategic planning on companies' strengths and weaknesses	The results illustrate that firms' internal factors influenced the strategic planning for enhancing strengths and eliminating weaknesses	Moderate
Mojarad, Atashbari & Tantau, 2010	Primary quantitative method	21	The aim of this research is to evaluate the challenges in implementing strategic planning in firms	The outcomes present challenges as well as ways to overcome them during the implementation of strategic planning in the workplace	High

(Source: Influenced by Camilleri, 2018)

Thematic coding

Table 2: Thematic coding

Author	Code	Themes
Kowo &Akinbola, 2019	Employee performance, organizational profitability, strategic leadership, involvement in advanced technology	Influential factors enhanced organizational profitability
Salloum <i>et al.</i> 2021	Strategic planning, internal factors, challenges, organizational profitability	Implementation of strategic planning in firms' environment

(Source: Influenced by Salloum *et al.* 2021)

Thematic analysis

Theme 1: Influential factors enhanced organizational profitability

Organizational profitability is a crucial component of a company for staying in the competitive marketplace for a long time. As per the statement of Kowo & Akinbola (2019), **employee performance** is considered the main driving force for improving overall profitability. Employee performance depends on several factors such as motivation level, dedication toward work, salary structure, and reward management strategies within a company. Motivated employees are always productive and provide innovative ideas which ensure increased sales and a high rate of profitability from the market.

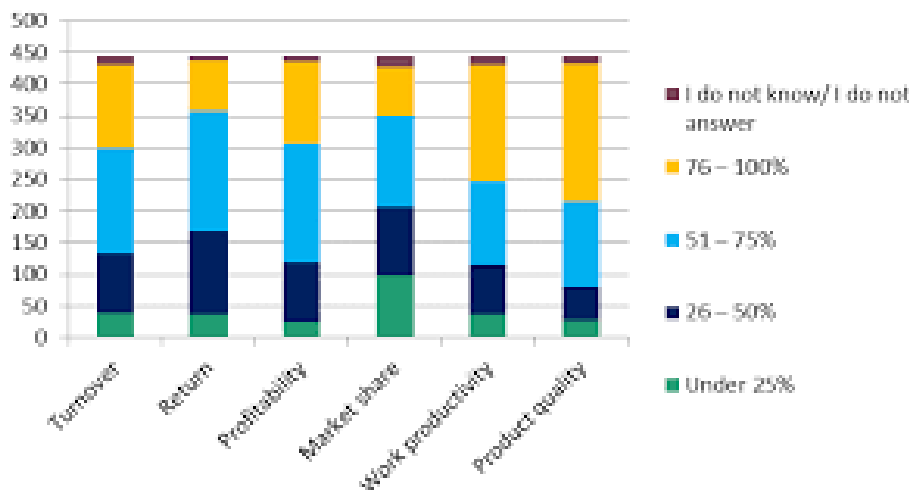


Figure 5: Organizational performance influenced by different factors
(Source: Kowo &Akinbola, 2019)

Above figure 5 highlights the organizational profits influenced by different internal factors of companies. As per the comment of Salloum *et al.* (2021), applying **strategic leadership** drives employees' performance on a larger level and improves overall profitability. Therefore, strategic leadership is also a crucial component that increases profitability and market share by achieving sustainable competitive advantage. Moreover, the profits of companies directly depend on the involvement of advanced technologies. The **incorporation of technologies** helps in cutting down other extra expenses and offers high-quality services to customers that improve overall profitability.

Theme 2: Implementation of strategic planning in firms' environment

Strategic planning is a crucial factor in amplifying the performance of firms in the competitive marketplace. As per the statement of Mojarad, Atashbari & Tantau (2018),

strategic planning is mainly composed based on several internal and external forces of a business environment. This planning aims to improve *productivity, sales, customer, and employee satisfaction level, and profit margins*. It has been noticed that an effective strategy is required for overcoming the challenges raised due to several internal factors of a business. The planning department of companies also focuses on issues like increasing turnover rate, lower profit margin, low level of customer satisfaction, and many others that directly impact performance level and profitability.

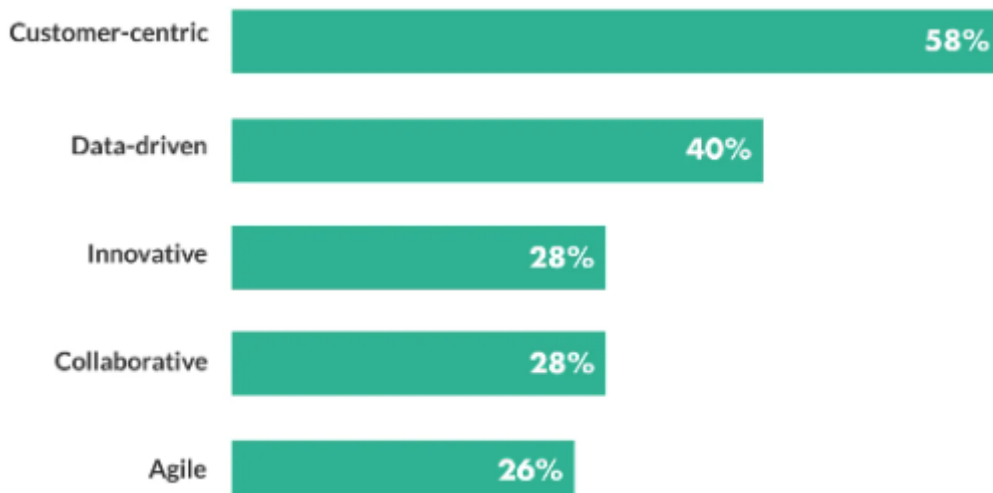


Figure 6: *Different strategic planning impacts organizational performance*
 (Source: Camilleri, 2018)

Figure 6 illustrates different types of strategic planning and their impact on a firm's performance as well as profitability level. As stated by Camilleri (2018), taking over a *customer-centric strategic plan* can increase the profitability level by about 58%. These kinds of strategies are deeply linked with approaches that are developed for meeting consumers' requirements and increasing sales. Furthermore, involving *innovations and creativity* in strategies successfully grab the attention of audiences and increased the overall profit margin.

Discussion

Thus, it can be said that for improving organizational profitability, having an effective strategic plan is significant. Apart from this, the profit level also depends on employees' performance level since it increases productivity and sales. For gaining a huge amount of profit from a competitive marketplace, implementing strategic leadership is crucial (Camilleri, 2018). Leadership helps to guide employees in write way and met firms' objectives by enhancing profitability. Furthermore, it has been observed that strategic planning improves profit margins by eliminating issues like increased employee turnover rate or high expenses. The inclusion of advanced technologies plays a vital role in increasing the profit margin and getting a sustainable competitive advantage.

Conclusion

Thus, it can be concluded that the inclusion of employee retention policies and technologies in companies is effective in enhancing profits. In addition to that, it can be summarized that the aim of developing strategies in firms is to overcome several issues to maintain their position in a competitive market and profit. Implementing customer-centric strategies helps in meeting consumers' requirements and amplifying the profits which

positively impacts the profits of firms. According to Herzberg's two-factor theory, it has been highlighted that motivation and satisfaction of employees are considered the main driving force of organizational profitability.

Limitations

Limited time restricts getting enough information regarding the influence of strategic planning on organizational profitability. Unavailability and not getting access to all resources to provide limited information and leave some valuable aspects. Moreover, the usage of secondary methods where a huge scope of being based lies generates another set of limitations.

Future scope

The beneficial side of conducting the paper is that it helps in highlighting the importance of strategic planning in an organization. The opportunity of delivering a vivid picture of the role of having strategic planning on profitability is another advantage of executing the study. The research would provide other factors in magnifying organizational performance which provides a competitive advantage to firms.

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