

Review Article

# A Review on the Importance of Strategic Planning in Business

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Received: 30 May 2022

Revised: 12 July 2022

Accepted: 15 July 2022

Published: 31 July 2022

**Abstract** - A company's strategic planning and management are aimed at assessing the organization's potential and defining its long-term goals to make it successful. It is usually necessary to conduct preliminary research and other preparations to prepare for strategic planning that focuses mainly on marketing and financial issues. By conducting strategic management workshops with every executive team member and ensuring their commitment and involvement, it is possible to develop a clear sense of collective responsibility among the executive team members. Preparing a detailed strategic plan can help you assess business opportunities, trends, and developments professionally and objectively. As soon as a concise vision statement has been developed, it is usually the next step to conduct an objective, critical, and realistic assessment of current performance. Identifying and evaluating strategic options for each major element of the business cannot be overstated.

Consequently, the organizational structure of the business may also need to be reevaluated as a consequence. The financial projections for the next three to five years must be derived naturally from the strategic planning process when preparing a detailed business plan. Throughout the document, there should be a positive tone, but it should also include a realistic assessment of possible difficulties. To measure the actual performance against the plan regularly, any changes that have been agreed upon should also be reflected in the plan. This will ensure that the actual performance can be measured according to the plan.

**Keywords** – Business management, Planning process, Strategic planning, Strategy implantation, Accounting, and control.

## 1. Introduction

A business plan is essential to achieving the objectives of a firm. With a detailed study and analysis, investors can formulate a plan that is result oriented. The present work emphasizes the logical and technological aspects of a business. This conclusion was made after thoroughly studying elements of a business and its planning. Business planning has many definitions, but it all comes down to the relationship between demand and supply. It is mainly the exchange of one service or product for another before suitability and compatibility, that is, trading. A business is called a business; if the transactions involved are monetary. A deep understanding of the process is imperative to know its value in business planning.

The work was created with this motive in mind. According to the study by Benson Honig and Michael Samuelson (Swedish Entrepreneurship forum), the methodological approach to the planning process gives the most effective results. In addition, by making use of the appropriate features, this may be made even better. A lack of preparation may lead to considerable losses in the financial world. We spoke about how to plan a business and the basics of planning. Eventually, it became apparent that a business strategy was required.

Rhonda Abrams also researched the dangers of not preparing ahead (2019). Despite this, the business's planning goals were created and presented to the degree required. Planning is essential for every commercial organization but can also be used for labor. This is a critical part of the project. Analogies between business and planning have been developed by several academics, each with their unique point of view. Data and information overload may be a nuisance, though. It was prepared, however, after thoroughly examining the material offered by renowned academics. This project used a more efficient method of creating plans that provide the best outcomes.

Additionally, the objective's vision and archiving aims were considered. The need for planning in developing objectives is also highlighted, as is the importance of different sorts of goals. Although several planning approaches exist, strategic planning is the most important. Strategic planning as a whole is thus thoroughly examined. There was much discussion over the nature, scope, and features of strategic planning and its benefits and drawbacks.

Certain features characterize short-term planning. After that, we examined why the business used the abovementioned planning method. The chief distinguishing features of these plans were described. Various financial



accounting strategies were employed in the company's development strategy. Additionally, the strengths and weaknesses of various planning strategies were discussed. Nevertheless, the individual capabilities of each were also covered.

An organization's achievements are seen in the financial books' balances. Quantitative information can be used for analysis because no matter how valuable something is, if it is scarce, it must be handled according to supply and demand, making proper accounting a necessity. Accounting in business serves numerous purposes, and it often uses a variety of accounting functions, all of which are discussed in subsequent chapters.

The previous work covers the planning and accounting abilities and parameter control techniques shown in the procedure above. In the context of business, the phrase "controlling" refers to adding or subtracting amounts. Depending on the context, these numbers might have various features, including interdisciplinary ones. To make the most of the plans, it is necessary to specify and prioritize these requirements. As a result, the company plans are further analyzed. A better approach may be developed in the future due to this greater knowledge.

A variety of company ideas may be effectively analyzed using this strategy. It is also necessary to think logically while making plans. The accounting and control ideas are also a part of this. Next, a list of the difficulties experienced in obtaining and comprehending these blueprints was provided. Boundary conditions that need to be considered while performing this analysis were considered (Abrams, 2018). Knowledge and concepts gained as a consequence of this procedure are provided. Following the thorough investigation and analysis, what was discovered? There were no further questions. This section lists all of the possible outcomes of this project. It also lays out the following step's outcomes and relevance.

## **2. Business planning literature survey**

Creating a business strategy requires a thorough examination of all aspects of the firm, both directly and indirectly. The purpose or goal must first be established. After then, it's time to go into the research, in-depth and on the ground. Knowledge of business planning may be gained by reading this material. Data compilation and coordination must be considered together with any constraints, such as harsh circumstances.

This literature study will offer an idea of how to build a strategy. The strategy for each firm is different since there are no unique aspects to the company's products or services. The business plan is often a written document that acts as the firm's basis. The business plan has a variety of sections, including financial, operational, and marketing. The design and development of the company will benefit from these

areas. In addition to the responsibilities above, the company has plans to document and preserve its work. It's common for the objective of the planning process to be somewhat lofty (Abrams, 2017).

As a result, the work to be scheduled is divided into smaller assignments to make formulation easier and more productive. Planning leads to job excellence. Frequently, the planning process involves a comprehensive conversation, such as brainstorming, in which many perspectives are considered to generate an idea. This is a collaborative strategy that encompasses many market segments and company sectors. There are numerous varieties of planning. Planning can be defined as short-term, medium-term, long-term, or even much larger project planning based on the time horizon. Each item was arranged in ascending order. Planning differs from one another depending on the emphasis placed on it. Understanding the business plan requires consideration of three key parameters. Initiation, organization, and management were involved. A business plan needs to be initiated on a timely basis.

Depending on the objective, the idea is generated by an individual or a group. The establishment of a business plan begins with identifying business objectives. These objectives must all coincide from when, where, how much, in what quality, for what price, with whom, and where. The boundary requirements for the parameters mentioned above are also identified. All of these factors and considerations must be considered while developing a company plan at the outset. (Finch, n.d) The greater the effort, the better the outcome. In this situation, Pareto's Principle must be addressed. The activities must be separated while defining the functions mentioned above and parameters. In any endeavor, according to Pareto, the factors responsible for 80 percent of the outcome contribute only 20 percent.

Consequently, it is necessary to identify and prioritize the most productive operations. Occasionally, these activities may also be considered trigger activities. And the remaining 80 percent of activities produce only 20 percent of the total output. These activities may be considered labor related. However, to ensure that the strategy is carried out as intended, it is necessary to monitor each event (Kraton, 2010). It is the process of arranging the previously determined parameters and functions to support an objection. At this level, it is necessary to identify the interrelationships between the activities and the functions. In addition, it is essential to associate and disassociate the functions to ensure that the plan operates as efficiently and effectively as feasible.

Time gaps must be reduced by optimizing slacks. Similarly, the performance of any physical work depends on three factors: the count, the quantity, and the frequency of the physical quantity. To organize these things or activities properly, they will be analyzed. There isn't a set technique to

organize a task or strategy. Art and science are intertwined in the administration of an organization. It is a set of technical guidelines, procedures, and tactics to enhance management effectiveness.

The process of putting up a company strategy is critical. If any difficulties do not meet the customer's expectations, they must be addressed now. Both finalization and authorization are checked at this stage. It is necessary to handle the data obtained from this procedure. Situations, not predetermined goals, define the significance of management.

Consequently, management can use the activities to support the countermeasures that must be taken while the job is being done. A more general definition of management is that it is used to keep track of, regulate, and make current choices. In the words of Abrams (2003, p.43), The controlling role is also part of management. Resources that are not up to par must be raised to the required standard.

Management's function in company planning may be explained in numerous ways, theoretically and empirically. It's more of a practical problem than a theoretical one. These ideas may be enhanced by evaluating case studies in combination with research and textbooks. Besides the information mentioned above, there are three forms of implementation-based planning: So, we've covered the groundwork, the execution, and the wrap-up, respectively. These three sections are critical to the overall planning process's effectiveness. After the planning stage, there will be an execution phase in which the strategy will be communicated. Ultimately, the controlling stage will monitor and regulate the company's numerous operations and functions.

### 3. Objectives to be considered during the planning process

The business planning process has vital considerations that determine its overall success. These factors include specificity, measurability, achievability, and relevance, as elaborated herein below:

- Planning must be precise and measurable to be successful. So that effective and efficient planning may be achieved. Every aspect of the planning process must be documented in full so that retrieved is timely.
- The metrics must be measured and come from a reputable source to be considered accurate. This parameter may be accomplished if the data are collected from the records or the standards sources. As a result, they must also be able to process more information.
- Planned activities must be able to be accomplished. Without an understanding of the activities and the

characteristics of those activities, no amount of planning will result in the intended outcome.

- Relevance: There should be relevance in the quantities that need to be planned. To achieve set goals, there must be appropriate interrelationships and the ability to apply and adapt these quantities.
- A crucial aspect of planning is that its time-bound. Optimizing time spent on various tasks is crucial.

## 4. Strategic planning

One of the strategic planning goals is to devise plans for dealing with potential threats and repercussions. Although it isn't an everyday practice, it may be utilized for an extended length of time to attain the desired benefits. "The process of generating and sustaining a strategic fit between the organization's aims and capabilities and its evolving marketing possibilities" was characterized as "sound strategic planning" by Phillip Kotler and Arm.

### 4.1. Characteristics of strategic planning

This section discusses the characteristics of a strategic plan as well as the conditions necessary for a strategic plan to be successful. The characteristics are discussed as follows:

- Understanding the current and established activities and plans is vital to developing a strategy that meets the demands. The best tactics result from a deep comprehension of the system's current attributes.
- Since workers carry out actualization, team implementation of strategic planning is more effective than solo implementation. Therefore, for it to succeed, there must be broad efficient communication among the staff.
- Depending on the type and style of the company, the strategic plan must match that entity. Although it contains valuable information, the application must be considered, for example, geographical aspects.
- When formulating the strategy, one essential quality must have been the ability to develop a distinctive approach to merging various activities or plans. Both are understandable. During implementation, it must summarize all data at the most basic levels.
- It contains constraints and limitations, much as planning. According to this viewpoint, the limitations of top-level management are comparable to those of middle-level and lower-level management. At each level, individuality must be protected, and restrictions and requirements must be put in place to establish a setting that can support the methods. (Small company plans explained; business plans)

- Strategic planning must anticipate upcoming expectations and demands as time goes on. Prospects must be considered while planning.
- Business strategic planning does take consumer expectations into account. It is challenging to develop and put the strategy into practice to ensure that the plan can meet the customers' needs.
- The strategic strategy must also take time into account. The gap between organizational strategy and tactical planning is often filled by it. Some experts contend that the ideal time range for strategic planning is between 1.5 and 3 years.
- To eliminate the holes and gaps between ambitions and real-time responsiveness, the strategic plan must be fueled by experience with an eye toward the future.
- It must consider outside variables and market trends. Strategic planning often has an internal rather than an outward emphasis.
- Considering the equity-marginal features of financial results is crucial while doing strategic planning. This will guarantee a minimal impact.
- The strategic plan validates attaining the business plan as it narrows down on a particular growth aim.

#### **4.2. Advantages of strategic planning**

Strategic planning has several benefits. Below is an elaborate list of the advantages of strategic planning as part of a business plan:

- Being proactive rather than reactive is always preferred. An organization's benefit from strategic planning may be summarized as follows. It is a long-term, well-planned procedure. It, therefore, encourages expansion.
- This strategic plan aims to help the firm achieve its goals. Compared to other techniques, this one is more reasonable and consistent.
- Maintaining a long-term and constant environment for the company supports the long-term aptitude and competence of the business.
- At the same time, it increases the company's profitability and allows for growth. The market share will grow as a result.
- It's not uncommon for competition to cause development to stall. Strategic planning is no longer necessary to address this issue. The competition was made evident and process-free due to the primary

differentiating qualities and originality in conception and execution.

- Strategic planning is complex, and as a result, there are both risks and benefits. Employees will feel appreciated and happy as a result.
- Strategic planning may help identify and manage risks more effectively. Furthermore, the company can stand on its own two feet because of the constancy with which it performs and makes strategic decisions.
- This will enhance the company's operational effectiveness and long-term viability. The placement of resources is also improved because of this. Business optimization is the result of this. Careful planning and a positive work environment will reduce the danger.

#### **4.3. Disadvantages of strategic planning**

The section below highlights significant limitations in developing a strategic plan. These disadvantages include:

- Strategic planning necessitates extensive knowledge and the ability to interpret that knowledge; this challenging endeavor may not be possible for everyone. In addition, it has interdependencies between internal and external units. This is a labor-intensive undertaking.
- It requires more practical exposure and expertise. This must possess the technical and logical knowledge necessary to achieve the result. Thus, this is a managerial function. Therefore, subject knowledge alone is insufficient for strategic planning.
- Strategic planning's application is not universal. Designed for long-term planning, the outcomes may be a little long-winded.
- Strategic planning expenditures are more significant when all the aspects are integrated. As a result, small and medium-sized organizations cannot benefit from adaptation and applicability.
- Because strategic planning is difficult and time-consuming to implement, it has a poor success rate.
- This is something that must be planned for in strategic planning. The scheduled events may not occur in every situation. The money spent on strategic planning will be a waste if it happens.
- Strategic planning has less leeway, and circumstances might lead to losing resources or possibilities.

## 5. Financial accounting and controlling methods

The application of accounting concepts to the administration of business transactions is referred to as "financial accounting." Keeping track of the company's financial and physical transactions makes sense to keep track of everything. From a purely monetary sense, this won't be easy to fathom. What is the relationship between money and finance from a business perspective?

According to national or international standards, a company's financial accounting covers all elements of its transactions. Management accounting differs from cost accounting in that it does not have to comply with national or international standards to accomplish the same job at a micro level and in detail. It was clear that the two accounts were intertwined in certain respects. Many ideas in financial accounting exist, including the Business Entity

Accounting, Going Concerned Accounting, Cost Concept, Realization/Accrual Concept, Accounting Period,

and Matching Concept. Various methods will be used, each suited to a particular event and set of circumstances. Accounting in the company is divided into three categories: financial, cost, and management. Each of these subcategories is further subdivided. Using control techniques is a way to supply resources when they're limited and limit them when they're plentiful. Everything a firm requires to run smoothly is included in this definition of "resources."

## 6. Conclusion

Finally, business planning is a valuable source of information that can be used to construct any company strategy. The importance of strategizing in long-term planning will be discussed, and suggestions will be provided in this respect. In addition, the concept of near-term planning was grasped. There are pros and cons to each of these two alternatives. This enables us to see the value of short-term planning in action. It was then determined how to make the financial reporting process as easy to follow as feasible. Overall, the information is more interesting and valuable as a result.

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