Strategic Planning and Firm Performance: The Mediating Role of Strategic Maneuverability

Hermas KORNELIUS¹, Hendrawan SUPRATIKNO², Innocentius BERNARTO³, Anton Wachidin WIDJAJA⁴

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Abstract

This study aims to explore the relationships between strategic planning, strategic maneuverability, and firm performance in the current dynamic business environment. It employs a quantitative research method and reports on a survey, using a questionnaire, of service companies in Indonesia’s oil and gas industry. Of the 337 companies selected by simple random sampling from a vendor database, responses were received from 70 companies. The analysis was performed using Partial Least Square Structural Equation Modeling and SmartPLS software. The analysis consisted of descriptive statistics, evaluation of the measurement model, evaluation of the structural model, and hypotheses testing. The results show that both strategic planning and strategic maneuverability have a positive relationship with firm performance. In addition, there is a positive relationship between strategic planning and firm performance through the mediating role of strategic maneuverability. The findings suggest that the organizational agility, organizational flexibility, and organizational responsiveness that constitute strategic maneuverability have a positive direct and indirect effect on firm performance, namely financial performance, customer performance, internal process performance, and learning and growth. This study contributes to the strategic management literature and the theory of maneuvers by providing empirical evidence on the relationship between strategic planning, strategic maneuverability, and firm performance.

Keywords: Firm Performance, Strategic Planning, Strategic Maneuverability, Maneuvers Theory

JEL Classification Code: M10, L21, L25, D23

1. Introduction

Many studies on strategic planning have been carried out since this concept was introduced some decades ago, especially regarding the relationship between strategic planning and firm performance. However, the literature review shows that the study results are still inconclusive regarding the role of strategic planning in improving firm performance. Some studies support the positive effect of strategic planning on company performance (Aboramadan & Borgonovi, 2016; Arasa & K’Obonyo, 2012; Gomera, Chinyamurindi, & Mishi, 2018; Karel, Adam, & Radomír, 2013; Sandada, Pooe, & Dhurup, 2014). On the other side, studies conducted by Abuzaid (2018), Hartmann and Stillings (2015), Kohtamäki, Kautonen, and Kraus (2010), and Ouakouak (2017) show that strategic planning alone has no significant effect on firm performance: additional elements are required as mediators to enable the company to win against the competition in a fast-changing business environment.

Therefore, this study conducts a literature review of the current strategic planning approach and proposes strategic maneuverability as a mediating variable; strategic maneuverability consists of the organizational flexibility and agility to respond to the rapid changes in the dynamic business environment of the digital era. The purpose of this research is to develop a conceptual model of strategic maneuverability as a mediator between strategic planning...
and firm performance, to provide a better explanation of the role of strategic planning in improving firm performance through the mediation of strategic maneuverability and the mechanism for this influence. This study contributes to the literature in strategic management in three aspects. First, it examines the concept of strategic maneuverability and its relationship with firm performance. Second, it examines the role of strategic maneuverability as a mediating factor in the relationship between strategic planning and firm performance. Third, it provides empirical evidence on the relationship between strategic planning, strategic maneuverability, and firm performance.

2. Literature Review

2.1. Strategic Planning

Strategic planning is a systematic process to determine the company’s direction and goals, analyze the external and internal environment, select the right strategy, establish an implementation plan, develop a monitoring system, and assess the company’s achievements (Arasa & K’Obonyo, 2012). In today’s fast-changing business environment, strategic planning must have adaptive characteristics if the company is to respond appropriately to challenges that come from the external environment, through adjustments to its strategy and direction. The adaptive ability of strategic planning can be achieved by a focus on five essential strategies, namely pursuing opportunities that arise, adapting to customers’ needs and demands, anticipating technological changes, anticipating regulatory changes, and anticipating the entry of new competitors to the market (Dibrell, Craig, & Neubaurm, 2014). In this study, strategic planning is defined as a systematic process for setting the company’s vision, mission, and objectives, analyzing external and internal conditions, formulating strategies to seize opportunities and anticipate threats, monitoring and evaluating achievements, and adapting the strategy to the conditions of a dynamic environment, to create a competitive advantage and improve company performance (Aboramadan & Borgonovi, 2016; Sandada et al., 2014).

2.2. Firm Performance

Firm performance results from the implementation of a strategy supported by company resources, capabilities, and competencies to achieve long-term objectives, such as increased sales, profit, market share, workforce, business units, productivity, quality, delivery, competency, customer satisfaction, and customer loyalty (Aboramadan & Borgonovi, 2016; Abuzaid, 2018; Dibrell et al., 2014; Ratnawati, 2020; Sariwulan, Suparno, Disman, Ahman, & Suwatno, 2020). Kaplan and Norton (1992) introduce a measure of organizational performance called the balanced scorecard, a collection of measurements that consists of financial, customer, internal process, and continual improvement perspectives. The balanced scorecard provides a comprehensive view of organizational performance, and can be used for central coordination between management and employees, investors, customers, and stakeholders. In this study, firm performance is defined a company’s success in achieving the goals it has set in terms of financial, customer, internal process, and learning and growth perspectives (Abuzaid, 2018; Dibrell et al., 2014).

2.3. Strategic Maneuverability

Pech and Durden (2003) use the illustration of a war zone to represent volatile and ambiguous market conditions, leading to a life and death situation for a company. Strategic maneuverability, using the elements of speed, surprise, and flexibility, is needed to scan the business environment, forecast market dynamics, and exercise strategic alternatives to maintain the profitability, growth, and survival of the firm. Strategic maneuverability is directed at targeting competitors’ weaknesses, and supporting the flexibility of the organizational structure, its speed of movement, and its tactical agility to maximize the element of surprise for competitors. Furthermore, Pech and Slade (2005) adopt the theory of maneuvering in warfare and apply this to the business context; they highlight four main elements of maneuverability. First, the analysis of the firm’s capabilities against its competitors’ intentions. Second, the use of intelligent data to prepare responses to counteract the competitors’ moves. Third, corporate actions to weaken the competitors’ advantages. Fourth, the proactive taking of initiatives to seize opportunities and overcome the challenges that arise. Paley (2013) emphasizes focusing on the weaknesses of the opponent and using an indirect maneuvering strategy consisting of three key elements. First, market intelligence, to find out the latest market conditions. Second, flexible organization, to respond quickly to the opportunities and challenges that arise. Third, competent leaders, to manage the human and financial resources that support the achievement of a strategic position in the market. The ultimate goal of the indirect maneuvers is to win customers, win market share, and achieve strategic goals without going through a direct confrontation that would consume company resources.

The studies above show that the main elements of successful strategic maneuverability are organizational flexibility, organizational agility, and organizational responsiveness. Flexibility refers to an organization’s ability to meet various types of customer demands without sacrificing time, effort, cost, and quality. Agility relates to the speed with which a company realigns its strategies and
reconfigures its resources to deal with upcoming opportunities and threats. Responsiveness relates to the organization’s ability to adjust company systems to anticipate a changing business environment in a proactive way (Morton, Stacey, & Mohn, 2018; Pehrsson, 2014).

2.4. Hypotheses

Studies show that companies that carry out strategic planning are generally more successful than those that do not. This can be seen in improved sales, profitability, customers, awareness of threats from the business environment and competitor actions, productivity, internal communication, employee performance, and competitiveness. There is a significant and positive relationship between strategic planning and firm performance (both financial and non-financial), as seen in the studies of Aboramadan and Borgonovi (2016), Arasa and K’Obonyo (2012), Gomera et al. (2018), Karel et al. (2013), and Sandada et al. (2014). Hence:

**H1**: Strategic planning has a positive effect on firm performance.

Strategic maneuverability, represented by organizational agility and organizational flexibility, helps firms to make fast decisions and to respond accurately, with the support of information about competitors’ strategies, technological developments, customer needs, and the current situation of the market, which increases the success of the implementation of corporate strategies, which in turn improves business performance. The studies of Dubey et al. (2019) and Santos-Vijande, López-Sánchez, and Trespalacios (2012) understood as a dynamic capability, shapes firms’ strategic flexibility and competitive strategy implementation to ultimately improve customer, financial, and market-related performance. This article proposes that OL acts as a forerunner of a firm’s ability to adapt to evolving market conditions (strategic flexibility found that organizations with high flexibility can anticipate changes in customer preferences, competitors’ movements, technological development, and economic changes, and can reposition themselves by reconfiguring their resources, capabilities, and competencies. The study conducted by Nzewi and Moneme (2016) states that organizational agility is the ability to produce a competitive advantage in a changing and unpredictable environment by detecting and reacting quickly to changes that come from both changes in competing companies and changes in customer requirements. Asil and Farahmand (2019) state that organizational agility, which takes into account customer-oriented characteristics, organizational commitments, and resource fluidity, is a dynamic feature with high value and is rare, difficult to imitate, and difficult to replace; it can therefore help a company maintain a competitive advantage. A study by Rahaman, Ali, Kejing, Taru, and Mamoon (2020) showed a positive correlation between enthusiastic responsiveness and customer satisfaction: the more the company focuses on customer needs, the higher the customer satisfaction, and this in turn will improve the firm performance. A study by Salih and Alnaji (2014) showed that organizational agility, reflected in speed, quality, flexibility, and leadership unity, directly influences business performance. Ahmad, Ekayanti, Nonci, and Ramadhan (2020) explain that agility is the ability of a company to respond to unexpected changes by continuously adjusting its strategic direction to fast external changes. The company’s ability to anticipate environmental changes, to respond quickly to opportunities that arise, and to restore itself to its desired condition needs to be supported by flexibility of human resources in finding new ways of working, flexibility in solution-oriented processes, and flexibility in catching up with technological and information developments. Hence:

**H2**: Strategic maneuverability has a positive effect on firm performance.

Strategic planning has a positive effect in providing space to develop strategic maneuvers that will increase the successful implementation of the corporate strategy, and in turn improve the company’s competitive advantage and performance. Committed strategic plans provide room for the development of organizational flexibility that will result in agile maneuvers, giving the company fast decision making and precise problem solving, supported by detailed information about competitors’ actions, recent technological developments, customer expectations, market conditions, and the business environment (Meredith & Francis, 2000). Studies by Dubey et al. (2019), Rudd, Greenley, Beatson, and Lings (2008) and Santos-Vijande et al. (2012) have found that organizational flexibility has a mediating role between strategic planning and company performance, whereby a more flexible company can anticipate changes in customer preferences, competitors’ movements, technological evolution, and economic trends, so it can reposition itself by reconfiguring its resources and competencies. Organizational flexibility will increase the company’s capability to adjust its marketing offers, mix of products and services, and production capacity, thereby increasing the potential for strategic choices and a better implementation of the chosen strategy. The study by Nzewi and Moneme (2016) states that organizational agility is the ability to produce a competitive advantage in an environment that is constantly changing and unpredictable by detecting and reacting quickly to
changes that come from competing companies and changes in customers’ needs and requirements. Asil and Farahmand (2019) state that organizational agility, which takes into account customer-oriented characteristics, organizational commitment, and resource fluidity, is a dynamic feature with high value and is rare, difficult to imitate, and difficult to replace; according to the resource-based theory approach it therefore can help a company to maintain a competitive advantage. A study conducted by Salih and Alnaji (2014) shows that organizational agility, which is reflected in speed, quality, company flexibility, and leadership, directly affects company performance. Hence:

H3: Strategic planning has a positive effect on strategic maneuverability.

H4: Strategic maneuverability has a positive mediating effect between strategic planning and firm performance.

3. Research Methods

3.1. Data Collection

The data were collected from oil and gas service firms in Indonesia using simple random sampling. A questionnaire was sent by email to 337 companies randomly drawn from the vendor database of Indonesia’s oil and gas operators. Data were gathered using questionnaires from the respondents, who were C-level executives, directors, vice presidents, senior managers, and managers. The respondents were informed of the goals of the survey and assured of the confidentiality of their answers. Responses were received from 70 companies, giving a response rate of 20.8%.

3.2. Measurement and Analysis

This study used multi-dimensional measures adopted from the studies in the literature review that were slightly modified to fit the context of the study. Strategic planning was measured using multi-dimensional scales, consisting of vision and mission, environment analysis, strategy formulation, strategy implementation, monitoring, and evaluation, adopted from the studies of Aboramadan and Borgonovi (2016), Aldehayyat (2011), and Ouakouak (2017). Firm performance was measured using multi-dimensional scales adopted from the studies of Aboramadan and Borgonovi (2016), Abuzaid (2018), and Dibrell et al. (2014), consisting of financial performance, customer performance, internal process performance, and learning and growth. To measure strategic maneuverability, this study used measurements of organizational flexibility adopted from the studies of Gabrielson, Seppälä, and Gabrielson (2016), and Rudd et al. (2008), organizational agility from the studies of Doz and Kosonen (2010) and Morton et al. (2018), and organizational responsiveness from the studies of Meehan and Dawson (2002) and Sousa, Ruzzo, and Losada (2010). All responses to the multi-item measures were captured using five-point Likert scales: 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree, and 5 - strongly agree.

The Partial Least Square Structural Equation Modeling was used for the data analysis using Smart PLS version 3 software. The latent variables of strategic maneuverability and firm performance were operationalized at a higher level of abstraction as higher-order hierarchical models that contained two layers of constructs. The data analysis performed included descriptive statistics, evaluation of the measurement model, evaluation of the structural model, and hypotheses testing.

4. Results and Discussion

4.1. Sample Characteristics

A total of 70 responses were collected using a questionnaire from service companies supporting oil and gas operations in Indonesia, consist of seven small companies (10.00%), 23 medium-sized companies (32.86%), and 40 large companies (57.14%). As to firm type, there were 58 private companies (82.86%), seven state-owned companies (10%), and five foreign investment companies (7.14%), while 17 companies (24.29%) had a firm age of less than ten years, 28 companies (40.00%) were between 10 and 20 years old, and 25 companies (35.71%) were more than 20 years old. The respondents were mostly C-level executives (70.00%), followed by senior managers (17.14%) and managers (12.86%).

4.2. Evaluation of Measurement Model

The evaluation of a reflective measurement model focuses on the validity and reliability of the constructs, consisting of indicator reliability, composite reliability, convergent validity, and discriminant validity (Hair, Hult, Ringle, & Sarstedt, 2017). As presented in the following table, all variables used in this study have good validity, as measured by convergent validity (AVE), with all values above the threshold value of 0.5. Likewise, in the measurement reliability test, Table 1 shows that all values for Cronbach’s α, composite reliability, and loadings had a value above 0.7. Thus, all measurement instruments used in this study have an adequate level of validity and reliability.

Discriminant validity requires that the value of the square root of AVE must be greater than the correlation value between the variables. Table 2 shows that the discriminant validity for all the measures meets the Fornell-Larcker criterion.
Table 1: Reliability and Convergent Validity

<table>
<thead>
<tr>
<th>Description</th>
<th>Cronbach α</th>
<th>C Reliability</th>
<th>AVE</th>
<th>Loading</th>
<th>p-values</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>0.913</td>
<td>0.936</td>
<td>0.746</td>
<td></td>
<td>&lt; 0.001*</td>
<td>Reliable</td>
</tr>
<tr>
<td>Vision &amp; Mission</td>
<td></td>
<td></td>
<td></td>
<td>0.759</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Environment Analysis</td>
<td></td>
<td></td>
<td></td>
<td>0.809</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Strategic Formulation</td>
<td></td>
<td></td>
<td></td>
<td>0.902</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td></td>
<td></td>
<td></td>
<td>0.941</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Monitoring &amp; Evaluation</td>
<td></td>
<td></td>
<td></td>
<td>0.894</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Strategic Maneuverability</td>
<td>0.907</td>
<td>0.941</td>
<td>0.843</td>
<td></td>
<td></td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational Agility</td>
<td></td>
<td></td>
<td></td>
<td>0.928</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Organizational Flexibility</td>
<td></td>
<td></td>
<td></td>
<td>0.899</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Organizational Responsiveness</td>
<td></td>
<td></td>
<td></td>
<td>0.927</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Firm Performance</td>
<td>0.897</td>
<td>0.93</td>
<td>0.768</td>
<td></td>
<td></td>
<td>Reliable</td>
</tr>
<tr>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
<td>0.944</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td>0.814</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Internal Process</td>
<td></td>
<td></td>
<td></td>
<td>0.934</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
<tr>
<td>Learning &amp; Growth</td>
<td></td>
<td></td>
<td></td>
<td>0.806</td>
<td>&lt; 0.001*</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Note: * indicates significant at 1% level of significance.

Table 2: Discriminant Validity

<table>
<thead>
<tr>
<th>Firm Performance</th>
<th>Strategic Maneuverability</th>
<th>Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Performance</td>
<td>0.877</td>
<td></td>
</tr>
<tr>
<td>Strategic Maneuverability</td>
<td>0.803</td>
<td>0.918</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>0.698</td>
<td>0.739</td>
</tr>
</tbody>
</table>

Table 3: Model Goodness of Fit

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
<th>Criterion</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRMR</td>
<td>0.062</td>
<td>&lt; 0.08</td>
<td>Good</td>
</tr>
<tr>
<td>Chi-square</td>
<td>127.97</td>
<td>&gt; 7.37</td>
<td>Good</td>
</tr>
<tr>
<td>NFI</td>
<td>0.84</td>
<td>&gt; 0.9</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Table 4: Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Coefficient</th>
<th>Std Dev</th>
<th>t-values</th>
<th>p-values</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Strategic Planning → Firm Performance</td>
<td>0.230</td>
<td>0.120</td>
<td>1.917</td>
<td>0.028**</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Strategic Maneuverability → Firm Performance</td>
<td>0.634</td>
<td>0.105</td>
<td>6.024</td>
<td>&lt; 0.001*</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Strategic Planning → Strategic Maneuverability</td>
<td>0.739</td>
<td>0.055</td>
<td>13.453</td>
<td>&lt; 0.001*</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: Strategic Maneuverability → Firm Performance</td>
<td>0.468</td>
<td>0.095</td>
<td>4.920</td>
<td>&lt; 0.001*</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: * and ** indicate significant at 1% and 5% level of significance (one-tailed).
4.3. Evaluation of Structural Model

The evaluation of the structural model consists of calculating the coefficients of determination ($R^2$), Standardized Root Mean Square Residual (SRMR), Chi-square, Normed Fit Index (NFI). The coefficient of determination ($R^2$) shows the size of the variance of the endogenous variable caused by all the exogenous variables connected to it. The analysis results show that the $R^2$ value for firm performance is 0.669 and for strategic maneuverability is 0.546, which are slightly lower than 0.70, and can be considered to show a moderate level of predictive accuracy. Table 3 shows that the values for SRMR, Chi-square and NFI are all within the range of acceptability, so the research model has a good model fit (Hair et al., 2017).

4.4. Hypothesis Testing

The hypothesis testing results are provided in Table 4 for all hypotheses in the current study. The results show that all hypotheses are supported by the empirical data for significance levels of 95% and 99%.

4.5. Discussion

Using sample data from 70 service companies in Indonesia’s oil and gas industry, this study produces four significant findings. First, there is a positive relationship between strategic planning and firm performance ($b = 0.230, p = 0.028$). Second, there is a positive relationship between strategic planning and strategic maneuverability ($b = 0.739, p < 0.001$). Third, there is a positive relationship between strategic maneuverability and firm performance ($b = 0.634, p < 0.001$). Fourth, there is a positive relationship between strategic planning and firm performance through the mediation of strategic maneuverability ($b = 0.468, p < 0.001$), which is a complementary partial mediation as the effect is positive.

The influence of the strategic planning elements can be ordered from highest to lowest as follows: strategy implementation, strategy formulation, monitoring and evaluation, environment analysis, and vision and mission. The influence of the strategic maneuverability elements can be ordered from highest to lowest as follows: organizational agility, organizational responsiveness, and organizational flexibility. The influences on firm performance can be ordered from highest to lowest as follows: customer performance, internal process performance, financial performance, and learning and growth. This implies that firms should focus on developing their organizational agility, organizational flexibility, and organizational responsiveness to increase their strategic maneuverability in the era of hyper competition and to achieve competitive advantage and improve firm performance. The study result is in agreement with studies that showed a positive impact of organizational agility, organizational flexibility, and organizational responsiveness, which together constitute strategic maneuverability, on firm performance (Asil & Farahmand, 2019; Dubey et al., 2019; Meredith & Francis, 2000; Nzewi & Moneme, 2016; Salih & Alnaji, 2014; Santos-Vijande et al., 2012).

Figure 1: PLS SEM Results
5. Conclusions

This study contributes to a better understanding of how strategic planning and strategic maneuverability can improve firm performance, using data from service companies in Indonesia’s oil and gas industry. The study found significant and positive relationships between 1) strategic planning and firm performance, 2) strategic planning and strategic maneuverability, 3) strategic maneuverability and firm performance, and 4) strategic planning and firm performance through the mediation of strategic maneuverability. This study implies that, for a company to succeed, the management should focus on strategic maneuverability, consisting of organizational agility, organizational flexibility, and organizational responsiveness, to navigate through the dynamic business environment, survive the hyper competition, maintain the company’s competitive advantage, and increase firm performance.

References


