

Chapter 28

Strategic Planning in Entrepreneurial Companies: International Experiences

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ABSTRACT

Innovation is wheel of change and development. Moreover, strategic planning is wheel and new mode of innovation and entrepreneurship. A growing body of literature, under the title of strategy planning and entrepreneurship, addresses the question of how strategic planning impacts on company's performance, competitive advantages, growth and market share. Therefore, almost every section in the chapter contains reports from empirical research conducted to investigate the different aspects of strategic planning in entrepreneurial companies worldwide. The research includes the most interesting parts of planning and entrepreneurship such as: environment, innovation, planning outcomes, benefits, limitations, etc. We find that surveyed companies introduce planning mostly because of their desire for growth, most of them use the entrepreneurial strategic mode, and their average time horizon for planning is less than three years. Importantly, this chapter opens the scientific door and avenue for new soundly empirical/theoretical studies and creative insights about strategic planning and entrepreneurship.

INTRODUCTION¹

Man plans and God laughs. -Old Yiddish proverb

Every man, every company and every country should have a plan. Old wisdom says that companies which fail to plan, actually plan their own

failure. In other words, planning the future means planning success. Strategic planning has received tremendous attention from both practitioners and academics, as business environment has become more competitive and more dynamic. The new competitive landscape, *painted* by the permanent technological changes and significant globaliza-

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tion trends, is moving towards hypercompetition², extreme emphasis on price, quality and customer satisfaction, and innovation activities, both in technology and new products/services. In this new competitive landscape, companies exist in highly turbulent and chaotic environments that produce disorder, disequilibrium and substantive uncertainty (Hitt, Keats, & DeMarie, 1998). *Panta rhei!* We are all familiar with the modern-day managers' mantra that we live in times of great and constant change. Because the world is turbulent, it is said, and the competition is hyperturbulent, managers must take seriously the continually initiating and adjusting to change. Change, by definition, is good. Resistance to change is bad (Huy & Mintzberg, 2003, p. 79). From history, we can learn that only thing which is constant and certain is change. The environmental changes did not allow business inertia and short-term vision trap. *They* punished every effort toward past performance and useless business action which do not take consideration about future competitive position. Metaphorically, companies with short-term goal, objectives and myopic strategies are like *hunter who was chasing a rabbit, but drove the wolf*. Therefore, strategy-making is one of the most critical activities in times of change and in unfamiliar environments (Gavetti, Levinthal, & Rivkin, 2005). Propensity to change in the business environment is critical for every company. That is a *to be, or not to be* question. In thinking about the future, strategic planning helps to avoid time traps and to exploit changes in environment. Hence, it should not be surprising that many empirical studies find that lots of companies extensively use strategic planning (Rigby & Bilodeau, 2013).

In addition, perhaps no activity symbolizes the American (and global) dream more fully than owning an emerging business. Taking charge and risk, exercising creativity, autonomy and independence, excessive work, and planning competitive strategies are all part of the challenge and excitement that lure one into the world of entrepreneurial business. But the *dream* of owning and operating a business

can quickly turn into a nightmare of devastating frustrations if the company's performance lags behind original projections and expectations. Although there are millions of entrepreneurial businesses in the world today, successful growth-oriented business ventures are exception rather than a rule. Of the new small businesses started each year, most will struggle and many will fail within the first five years. In a popular culture term, the large part of new venture creation fails to blow a sixth birthday candle. These crushed hopes and ravaged fortunes reflect the effort of strong-willed persons who fought to build their fledgling operation into viable competitive entities. We read the horror stories of those who failed but, however, we also read about the major successes of others. Names like Bill Gates, Sam Walton, J. A. Marriott, Michael Dell, and Walt Disney are examples of entrepreneurs who began businesses and grew them into world well-known *mammoth* organizations whose influence is felt across the countries and around the globe. These companies now constitute core of the most innovative companies ranked by Forbes, Boston Consulting Group and Bloomberg, Fast Company, Thomson Reuters, Strategy& (formerly Booz & Company) and other relevant organizations. Thus, the failure of many is offset by the wildly successful ventures of others. Some of these companies are victims of environmental changes and competitive occurrences. In short, entrepreneurial creations and entrepreneurs fail because they are unable or unwilling to establish comprehensive strategic planning system (Fry, Stoner, & Weinzimmer, 1999). Sir Winston Churchill probably was not thinking about the coming entrepreneurial generation when he wrote in his epic book *While England Slept: The world was meant to be wooed and won by youth*. Yet, this could describe perfectly what has transpired over the past 30 years as young mega entrepreneurs in their 20s conceived of, launched, and grew new companies that, in turn, spawned entirely new industries. The pictures of Bill Gates, Paul Allen, Marc Andressen, Michael

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