

## Chapter 25

# The Role and Importance of the Strategic Plans as an Innovative Tool in Determining the Direction of Companies From the Financial Success Perspectives

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### ABSTRACT

*Companies have a variety of aims. Among them, the most important one is to survive. However, survival is not an easy subject in the global environment. Even surviving becomes harder while competition increases. So, companies have to deal with both globalization and competition at the same time. Although it is possible to mention about lots of tools, one of the most important innovative management tools is strategic planning in terms of the financial success perspectives. The strategic plan (SP) is a tool that can be used to shape their future and to survive by companies. It is concluded that SPs have important benefits. Firstly, SPs make the contribution to the survival. Secondly, SPs are helpful to plan future. Thirdly, SPs are used as a guide. Fourthly, SPs trigger good management practices and innovation culture because of requiring transformation processes. Fifthly, due to triggering internal transformation works, SPs make the contribution to gain the comparative competitive advantage. Sixthly, by implementing SPs well, it is inevitable to reach good financial results.*

### INTRODUCTION

Nowadays, the world has become more global and digital than it has never ever been before. This structure results in the complex and competitive environment for every actor in the economies causing new entries of competitors to sectors. This is an important threat for the companies which exist and operate currently

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in sectors. It requires companies to initiate the renewal process and works. This is external sources of the transformation. It is possible starting of renewal process by internally with companies' own initiative. As a result, it can be said that the more environment changes, the more studies companies start.

Similar to the world, the business environment has been also changing and becoming more complex. Therefore, in today's world, companies need to think and act much more long-term based in order to survive and continue their growth. Thinking and acting long-term based is a key point and a management tool. They are quite crucial for companies in terms of financial success and determining their direction to which they move. At this point, the important question is that how companies should proceed or how companies achieve this. Companies can achieve this by setting strategies and applying strategic plans (SPs).

The strategy can be summarized as either decision that is preferred by companies or necessary action plan to reach aim (Fabozzi & Peterson Drake, 2009, 328; Kartal, 2017, 112). Strategic planning can be described as complex long-term planning and forecasting containing risks regarding the future of the companies (Kiran, 2016, 86). Due to these characteristics, strategic plans have the potential to affect the future of companies in many ways (Mehrotra & Gopalan, 2017, 62). Taking into consideration these definitions, strategic plan, which is an output of strategic planning process, is evaluated as an important tool to be used by companies to survive, sustain growth, shape their future, determine the direction and achieve financial success. The strategic plan also satisfies a detailed roadmap need of companies in order to reach their aims and targets.

SP has been gaining much more importance in terms of shareholders and BoD of companies recently. Even in some important and critical sectors, BoD is required to prepare the strategic plan by regulatory authorities. At the same time, these show that companies have the opportunity to use a strategic plan as leverage in order for their financial success. This phenomenon is also valid for companies established and/or operating in Turkey. So, companies in Turkey should also use SP for survival and should give the necessary importance and attention to SP for their financial success as well.

This paper is prepared to make an evaluation about the role and importance of the strategic plan in determining the direction of companies from the perspectives of financial success. In this study, it is intended to deal with the strategic plan as an innovative management tool and to evaluate their role and importance in way of companies to reach to financial success. In this context, analyzing the position of SP is a must in order to be able to make an evaluation about whether SP could play an important role and make positive effect and contribution to the financial success of companies or not.

The study consists of six 5 parts. After the introduction part, concepts of strategy and strategic plan are examined in the second part. Within the context of the literature review, some studies regarding the strategic plan are reviewed in the third part. In the fourth part, a conceptual discussion is made upon the role and importance of the strategic plan in determining the direction of companies from the financial success perspectives. Finally, an evaluation is made in the fifth part.

## **STRATEGY AND STRATEGIC PLANS**

Companies aim to create the highest profit by using optimum resources and decreasing costs and which is the best for them (Zengin, 2017, 98). Companies search for ways in order to reach this. Although it is possible to mention many options, one of the most important tools is strategy and strategic plan.

The strategy is described as the plan of necessary actions to reach the aim (Fabozzi & Peterson Drake, 2009, 328). The strategy can also be defined as all rules and approaches which provide companies to

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